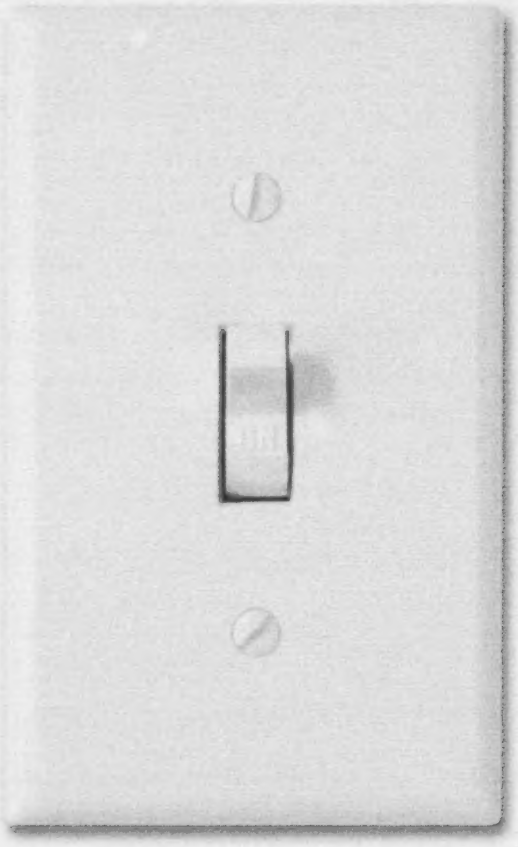


Manitoba Hydro

Manitoba Hydro-Electric Board
62nd Annual Report
For the Year Ended March 31, 2013

It starts with the flick of a switch.

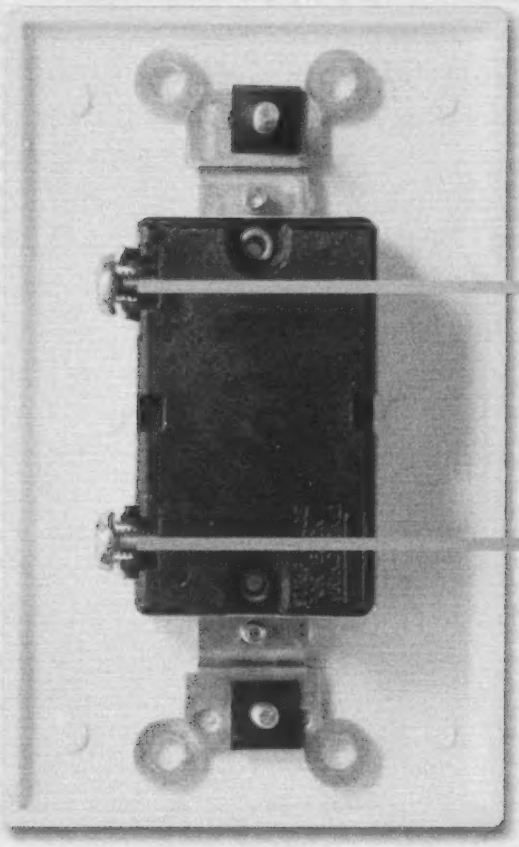


TABLE OF CONTENTS

Chair's message	11
President and CEO's message	12
Year in review	15
Corporate governance	38
Management's discussion and analysis	44
Consolidated financial statements	63
Major electric and gas facilities	100

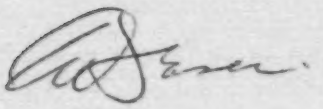
July 31, 2013

Honourable Dave Chomiak
Minister charged with the administration of the Manitoba Hydro Act
Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

I have the honour of presenting the 62nd Annual Report of The Manitoba Hydro-Electric Board, together with the financial statements, for the fiscal year ended March 31, 2013.

Respectfully submitted,



William C. Fraser, FCA
Chair, The Manitoba Hydro-Electric Board

Millions of times a day our customers turn to us for the electricity they depend on.

CORPORATE PROFILE

Manitoba Hydro is one of the largest integrated electricity and natural gas distribution utilities in Canada. We provide reliable, affordable energy to customers throughout Manitoba and trade electricity within three wholesale markets in the Midwestern United States and Canada. We are also a leader in promoting conservation, providing numerous Power Smart* programs to help our customers get the most out of their energy. Nearly all of the electricity Manitoba Hydro produces each year is clean, renewable power generated using the province's abundant water resources.

Manitoba Hydro is a provincial Crown Corporation governed by the Manitoba Hydro-Electric Board, whose members are appointed by the Lieutenant-Governor in Council.

And, for over 60 years, Manitoba Hydro has answered that call.

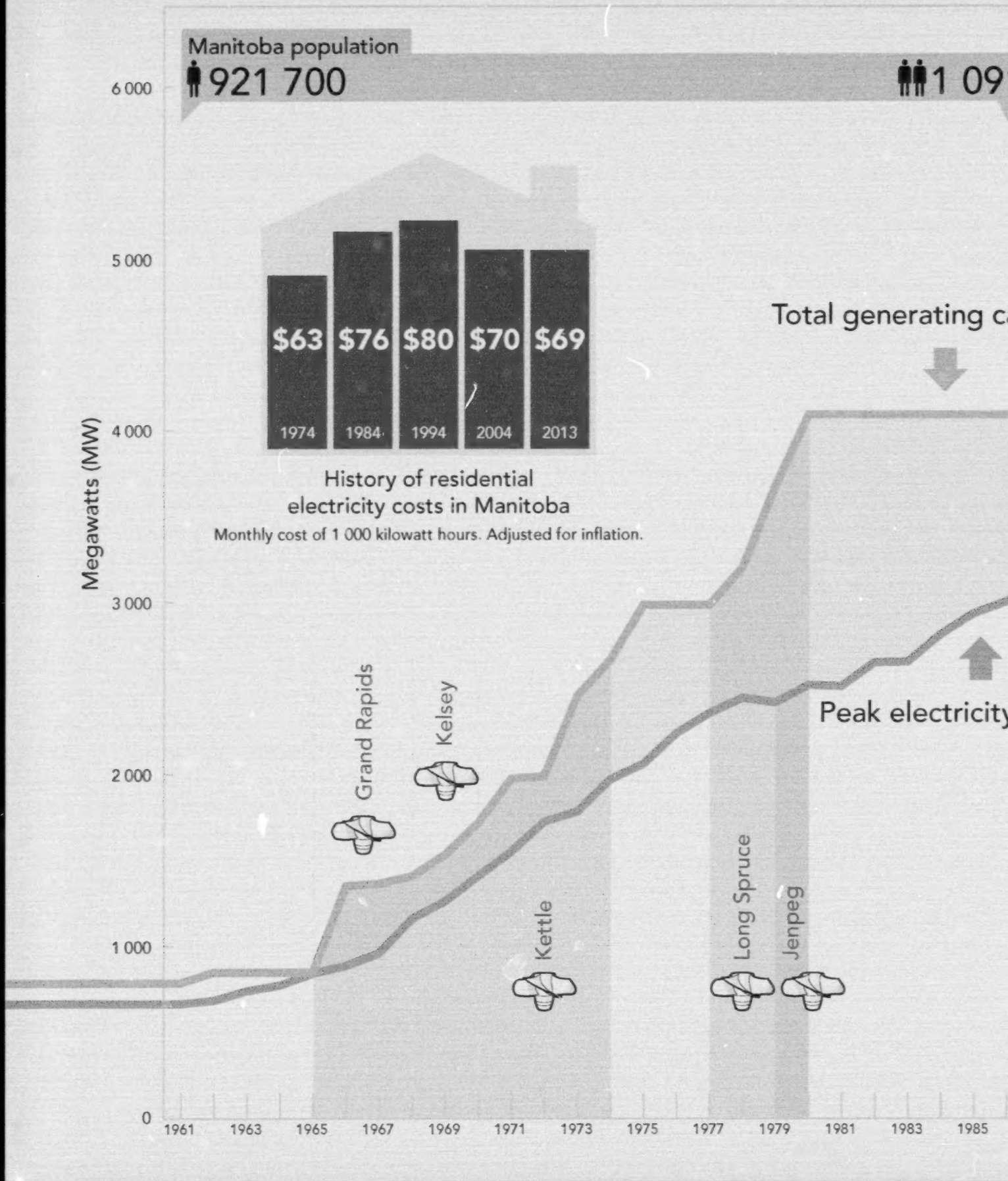
*Manitoba Hydro is a licensee of the Trademark and Official Mark.

We harnessed the energy flowing in this province's rivers; first building generating stations on the Winnipeg River and, as demand grew, moving north to the Saskatchewan and Nelson rivers.

We built the transmission and distribution systems to deliver that electricity.

We created transmission interconnections with other markets and sold our surplus electricity, bringing billions of dollars into Manitoba.

These investments resulted in one of the most affordable, reliable and sustainable power systems anywhere.


Manitoba population
921 700
1 09
6 000
5 000
4 000
3 000
2 000
1 000
0
Megawatts (MW)
$63
$76
$80
$70
$69
1974
1984
1994
2004
2013
History of residential electricity costs in Manitoba
Monthly cost of 1 000 kilowatt hours. Adjusted for inflation.
Total generating c
Peak electricity
Grand Rapids
Kelsey
Kettle
Long Spruce
Jenpeg
1961
1963
1965
1967
1969
1971
1973
1975
1977
1979
1981
1983
1985

552

1 255 000

pability

$10 billion
Export revenues
(1965-2013)

demand

Hydroelectric generating stations added since 1961

Grand Rapids:	**479 MW**
Kelsey:	**250 MW**
Kettle:	**1 220 MW**
Long Spruce:	**1 010 MW**
Jenpeg:	**129 MW**
Limestone:	**1 340 MW**
Wuskwatim:	**200 MW**

Limestone

Wuskwatim

In 1996-97, four 33-MW units at the Brandon Generating Station were retired. Five years later, two natural gas combustion turbines were added to the station with a combined capability of 266 MW.

1987 1989 1991 1993 1995 1997 1999 2001 2003 2005 2007 2009 2011

Now, it's time to invest in our system again.

The demand for electricity is continuing to grow here in Manitoba. New sources of energy are needed.

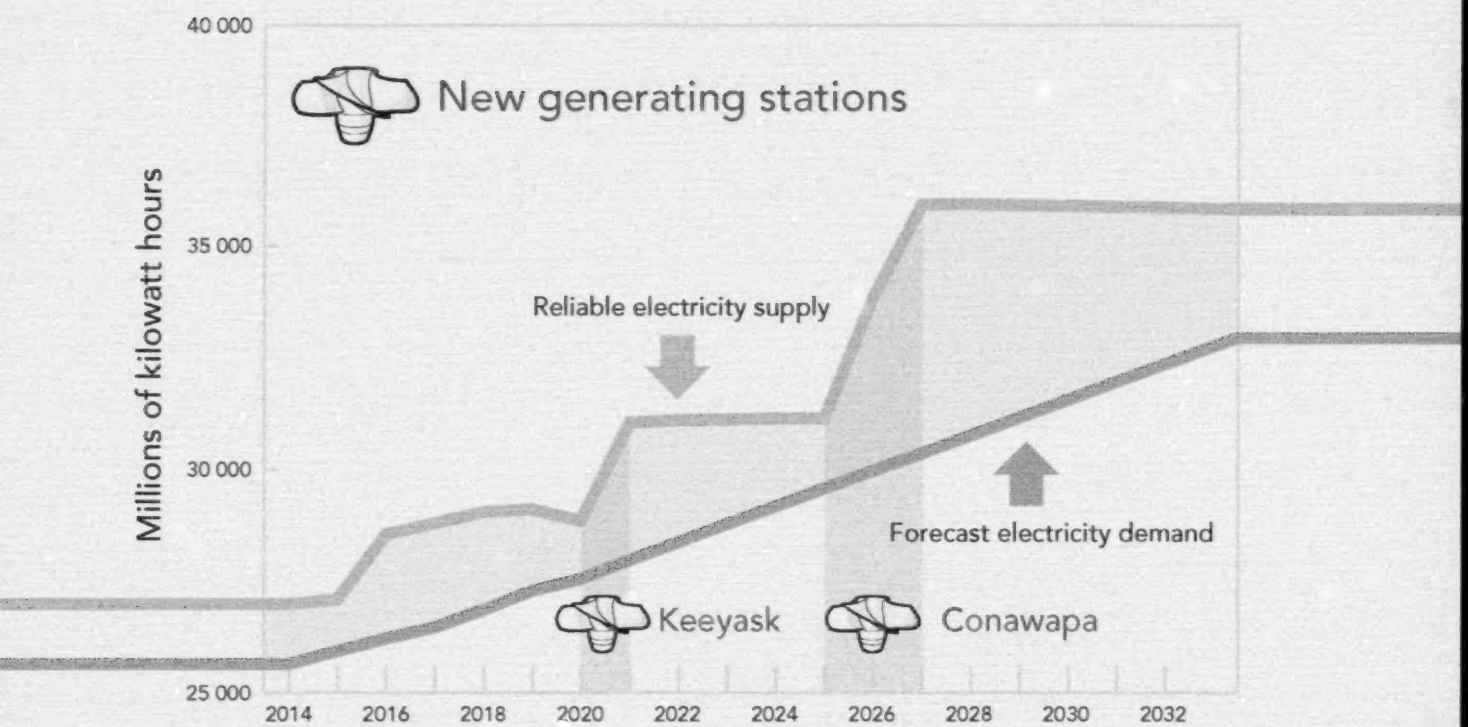
A considerable portion of the infrastructure we use to generate and deliver electricity is approaching the end of its service life and cannot continue to meet our customers' evolving expectations. To serve the future energy needs of this province, we need to renew, upgrade and construct new facilities.

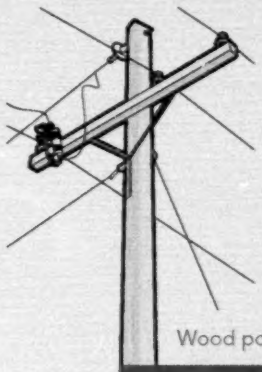
Manitoba Hydro is ready to meet these challenges.

Our plan continues the proven strategy of developing this province's clean, renewable hydro resources and building interconnections to leverage the associated export sale opportunities while enhancing reliability.

We are preparing to build the 695-megawatt Keeyask Generating Station and the proposed 1 485-megawatt Conawapa Generating Station along with a new transmission interconnection to the United States.

We are continuing to make investments in Power Smart energy conservation programs that will reduce growth in demand by over 500 megawatts in the next 15 years.





Wood poles in Manitoba Hydro's system: over 1 million

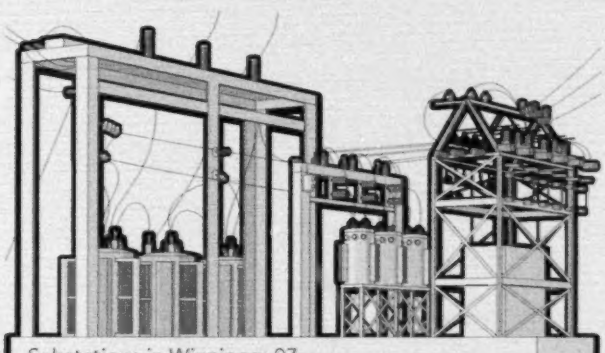
Poles that will need to be replaced in the next 20 years: **117 000**

Estimated cost: **$400 million** (All costs in 2012 dollars.)

Underground distribution cable in system: approximately 6 100 kilometres

Percentage that will reach end of life in next 20 years: **55 percent**

Estimated cost to replace or refurbish: **$900 million**



Substations in Winnipeg: 97

Substations replaced/refurbished in next 12 years: **20**

Estimated cost = **$630 million**

2014 2016 2018 2020 2022 2024 2026 2028 2030 2032

We are accelerating investment in our infrastructure to maintain reliability; building the new Bipole III high voltage direct current transmission line and replacing assets — ranging from wood poles to substations — that have reached the end of their service life or the limits of their capacity.

We are investing in a powerful future for Manitoba, ensuring the next generation will continue to enjoy the benefits of affordable, reliable and sustainable electricity — every time they flick a switch.

Manitoba Hydro plays an important role in ensuring all Manitobans benefit from this province's energy resources. It was true nearly 50 years ago when the decision was made to develop the hydro potential of this province's northern rivers. It is true today as the corporation again turns north to develop new generating stations and transmission capacity.

These are important investments for Manitoba Hydro and the board carefully monitors all major projects. This includes engaging management of the corporation to review activities related to the planned development of the Keeyask and Conawapa generating stations and a new transmission interconnection to the United States.

In July, I had the opportunity to visit the new Wuskwatim Generating Station with leaders of the Nisichawayasihk Cree Nation (NCN) to mark the start of electricity production. Developed in partnership with NCN, Wuskwatim is a model of responsible resource development — one where potentially impacted Aboriginal communities are engaged in project planning, environmental assessments and in the creation of employment and business opportunities.

This responsible approach is also being taken with the planned Keeyask Generating Station which, pending regulatory approvals, will be developed in partnership with Tataskweyak Cree Nation, War Lake First Nation, Fox Lake Cree Nation and York Factory First Nation. The board was pleased with the progress on the project in 2012-13, which included filing its environmental impact statement.

Progress also continued on the Conawapa Generating Station, including the ongoing planning process with the communities in the vicinity of the project — Fox Lake Cree Nation, York Factory First Nation, Tataskweyak Cree Nation, War Lake First Nation and Shamattawa First Nation.

A public hearing to review the environmental impact statement for the Bipole III Transmission Project concluded in the past fiscal year. It is anticipated that a licensing decision will be received this summer, allowing work on this reliability project to commence later in the year.

The Manitoba Hydro-Electric Board is comprised of 11 members whose primary responsibility is to ensure the corporation carries out its legislated mandate. In performing this oversight, the board reviews Manitoba Hydro's financial forecasts as well as quarterly and annual financial statements. Members also review and approve the corporation's strategic plan.

I would like to express my gratitude to the members of the board for their diligent work throughout the past year.

I would also like to recognize Manitoba Hydro's employees for their dedication and ongoing commitment to service.

William C. Fraser, FCA
Chair, The Manitoba Hydro-Electric Board

For most people, the act of flicking a switch or turning up a thermostat is routine. Lights are turned on and furnaces are started up without much thought to where the energy comes from.

In the past year, however, we started asking our customers to consider what is behind the switch. Our message is this: the system that served Manitoba well for many years now needs a significant investment to continue meeting the province's needs. It is an investment that will require modest, regular increases to the rates our customers pay for electricity.

Much of the infrastructure we use to deliver electricity was built several decades ago when service was first extended to urban then rural customers. It's getting old and more costly to maintain. Manitoba Hydro is still maintaining high levels of reliability – higher than most in the industry. But, the condition of our distribution assets is starting to impact reliability, outage performance and the system's ability to accommodate load growth. Like most energy utilities in Canada, we need to replace those assets that are at the end of their service life. The cost of that work is expected to be $500 to $600 million per year over the next two decades.

Manitoba also needs new sources of energy. The demand for electricity in our province is continuing to grow and, at the current rate of approximately 80 megawatts of peak demand per year, it is projected that a new source of electricity will be needed by the 2022-23 fiscal year. To meet the future needs of the province, we are planning to build the 695-megawatt Keeyask Generating Station at an estimated cost of $6.2 billion followed by the 1,485-megawatt Conawapa Generating Station at an estimated cost of $10.2 billion.

Manitoba Hydro is well positioned to make these investments while maintaining reasonable and competitive rates for our customers and ensuring the continued financial health of the corporation. This past fiscal year, the corporation continued to add to our equity base through retention of earnings. Our consolidated net income of $92 million for the fiscal year ended March 31, 2013 contributed to retained earnings which now stand at $2.54 billion, the highest level in the corporation's history. The debt to equity ratio of 75:25 is on target and both the corporation's capital coverage and interest coverage ratios improved over last year.

These measures are significant. Manitoba Hydro will need to attract and invest a large amount of capital as we face the renewal of our infrastructure and the need to develop new sources of energy. As a Crown-owned utility, we are fortunate to have the support of the provincial government to guarantee our debt. However, we must also maintain sufficient levels of net income and retained earnings to ensure the corporation remains self-sufficient. Export sales along with modest, regular domestic electricity rate increases will help us achieve this objective as we move forward.

Utilities across Canada are experiencing similar rate pressures. It's been estimated that nearly $350 billion must be spent across Canada in the next 20 years to renew and replace electricity systems. Manitoba's advantage is our electricity rates are currently among the lowest overall in North America. We are taking a prudent, proven approach to developing our system that will allow us to maintain this competitive advantage.

One way we'll do that is by leveraging the export sale opportunities associated with Manitoba's hydropower resources to create revenues that offset capital investments in new generating stations.

There continues to be a demand for clean, reliable hydroelectricity in the United States where utilities are looking to diversify their supply portfolios by replacing aging coal-fired units and limiting exposure to the price volatility in natural gas markets. Manitoba Hydro has already signed firm sale agreements with Northern States Power, Minnesota Power and Wisconsin Public Service valued at $7 billion. We are also negotiating a term sheet with Wisconsin Public Service for up to 500 megawatts of additional capacity.

We will continue to pursue demand side management where economic, providing our customers innovative solutions for conserving energy and reducing their costs while also making more electricity available for export sales. Our broad spectrum of Power Smart programs helped Manitoba Hydro's customers save a combined $102 million on their electricity and natural gas bills in 2012-13. Over the next 15 years, Manitoba Hydro will invest over $420 million to achieve reductions of approximately 1,500 gigawatt hours in electricity consumption and 60 million cubic metres of natural gas per year by 2027-28.

As a corporation, we are also carefully examining all expenditures and reducing or deferring where possible. We are gaining synergies and cost reductions through process improvements such as the implementation of our new mobile workforce management system. In the longer term, we are looking at the demographic shift that is occurring in our workforce as an opportunity. Nearly 900 employees are eligible for retirement in this calendar year. While we aren't expecting that many employees to move on, we are evaluating those positions that are vacated and determining whether they need to be filled or if we can change the way we work without sacrificing safety and reliability.

However, the potential opportunity in our workforce demographics also presents a challenge. With years of accumulated experience and knowledge, many of those at or nearing retirement age are key contributors to our success. It is important, therefore, that we do the necessary succession planning as well as recruitment and retention activities. Effectively managing this changeover in staff will be as critical to maintaining the level of service our customers expect as renewing infrastructure or building new generating stations.

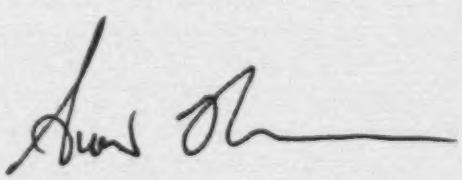
It is also important that we promote and protect the health of our workforce. I am pleased to report that there were no high-risk accidents in 2012-13 and that Manitoba Hydro's overall safety performance saw another year-over-year improvement. In particular, we made good progress in reducing accident frequency and accident severity — improving both measures for the fifth year in a row.

I continue to be impressed with the quality of energy service in Manitoba and consider myself fortunate to be a part of an organization with such a long, proud tradition of customer service excellence. Over the past year, I've seen first-hand the dedication of Manitoba Hydro's employees – from the work done to restore service in difficult conditions such as the Thanksgiving Day weekend storm in southeastern Manitoba to the diligent efforts to prepare for public hearings that reviewed our rate applications and the Bipole III Transmission Project.

It reinforces my belief that Manitoba Hydro is ready to meet the challenges of providing reliable power both today and for decades to come.

I want to thank all the men and women who work for Manitoba Hydro for their contributions to the achievements of the past year. In addition, I want to acknowledge Vince Warden, who retired earlier this year from his position as Senior Vice-President of Finance and Administration and Chief Financial Officer after 45 years of service. He was a key advisor during my first year at Manitoba Hydro whose counsel was invaluable and much appreciated.

I also want to express my sincere appreciation to Bill Fraser and the other members of the Manitoba Hydro-Electric Board for their guidance and support over the past year.



Scott A. Thomson, CA
President and Chief Executive Officer
Manitoba Hydro

Established by the government of Manitoba over 60 years ago, as demand for electricity in the post-war economy flourished, the Manitoba Hydro-Electric Board was tasked with providing an adequate and economic power supply for the province. That mission hasn't changed. Whether it is natural gas or electricity, we remain focused on ensuring our customers continue to benefit from an affordable and reliable source of energy.

Vision

To be the best utility in North America with respect to safety, rates, reliability, customer satisfaction and environmental leadership; and to always be considerate of the needs of customers, employees and stakeholders.

Mission

To provide for the continuance of a supply of energy to meet the needs of the province and to promote economy and efficiency in the development, generation, transmission, distribution, supply and end-use of energy.

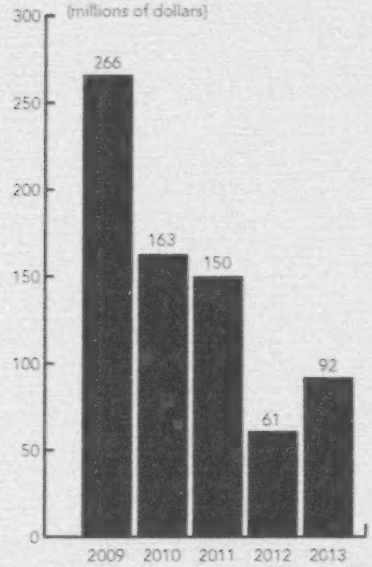
Corporate goals

- Improve safety in the workplace.
- Provide exceptional customer value.
- Strengthen working relationships with Aboriginal communities.
- Maintain financial strength.
- Extend and protect access to North American energy markets and profitable export sales.
- Attract, develop and retain a highly skilled and motivated workforce that reflects the demographics of Manitoba.
- Protect the environment in everything that we do.
- Promote cost effective energy conservation and innovation.
- Be recognized as an outstanding corporate citizen and a driver of economic development in Manitoba.

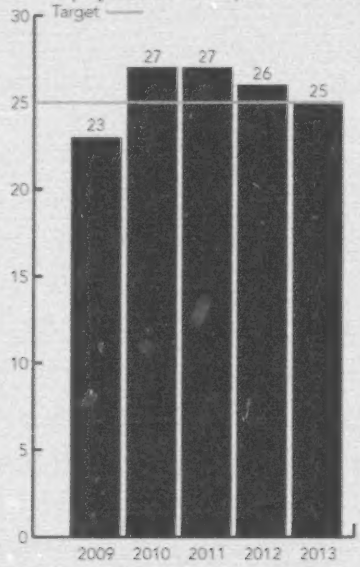
FINANCIAL RESULTS

	Electricity		Natural Gas		Consolidated		Change
Revenue	2013	2012	2013	2012	2013	2012	
			millions of dollars				
Manitoba	1 380	1 219	329	329	1 709	1 548	161
Extraprovincial	353	363	-	-	353	363	(10)
	1 733	1 582	329	329	2 062	1 911	151
Cost of gas sold	-	-	182	197	182	197	(15)
Expenses	1 662	1 515	139	138	1 801	1 653	148
Net income (loss) before non-controlling interest	71	67	8	(6)	79	61	18
Net loss attributable to non-controlling interest	13	-	-	-	13	-	13
Net income	84	67	8	(6)	92	61	31
Retained earnings	2 500	2 416	42	34	2 542	2 450	92

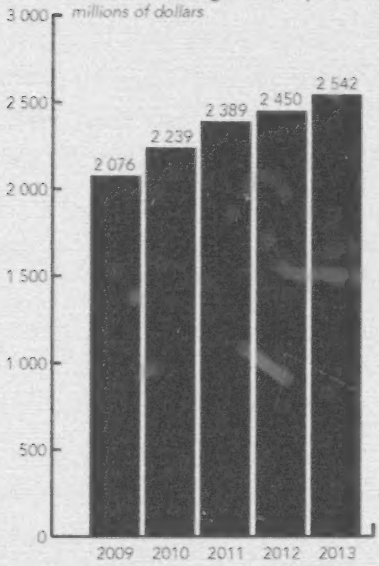
Net Income
(millions of dollars)



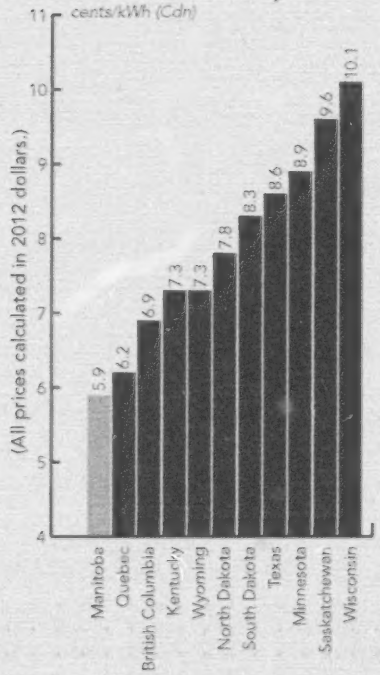
Equity Ratio - For the year ended March 31
Target



Retained Earnings - For the year ended March 31
millions of dollars



Retail Price of Electricity
cents/kWh (Cdn)



OPERATING STATISTICS

Electrical Operations

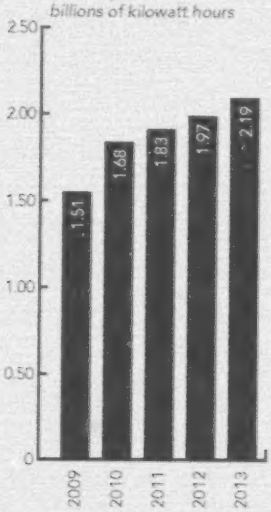
	2013	2012	Increase/(Decrease)
Sales		*billions of kilowatt hours*	
Manitoba sales	21.5	20.8	0.7
Extraprovincial sales	9.1	10.2	(1.1)
System supply		*billions of kilowatt hours*	
Generation	33.2	33.2	-
Purchases	1.4	1.2	0.2
		thousands of kilowatts	
Manitoba peak load	4 535	4 343	192

Natural Gas Operations

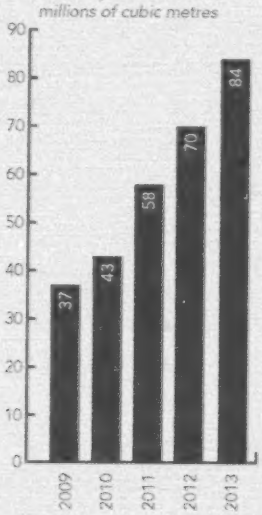
	2013	2012	Increase/(Decrease)
		millions of cubic metres	
Residential sales	602	509	93
Commercial and industrial sales	849	728	121
	1 451	1 237	214
Transportation service	598	629	(31)
	2 049	1 866	183
		billions of joules	
Manitoba peak load	504 961	500 434	4 527

Total Hydraulic Generation
For the year ended March 31
billions of kilowatt hours

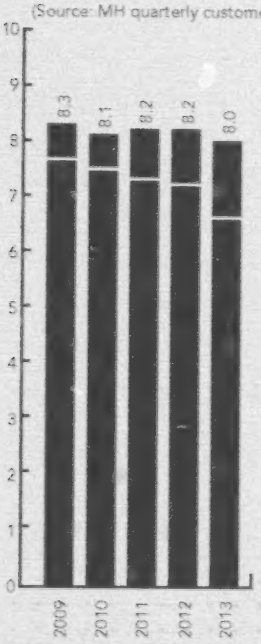
Power Smart Savings - Electricity
For the year ended March 31
billions of kilowatt hours



Power Smart Savings - Natural Gas
For the year ended March 31
millions of cubic metres

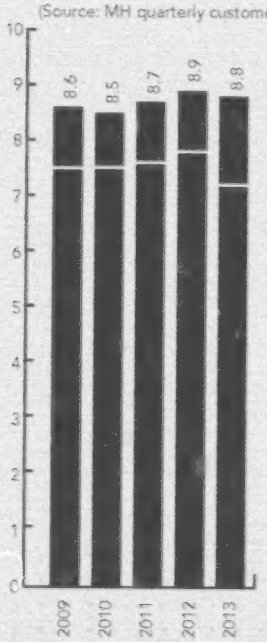


Customer Satisfaction with Overall Service
(Source: MH quarterly customer satisfaction tracking study)



CEA average for all Canadian electric utilities ——

Customer Satisfaction with System Reliability (electricity)
(Source: MH quarterly customer satisfaction tracking study)



CEA average for all Canadian electric utilities ——

On Resources

Situated where some of the largest drainage basins in North America converge, Manitoba is home to an impressive source of clean, renewable water power. Our customers tap into this power at 15 generating stations which produce nearly all of Manitoba Hydro's electricity. We also export about a third of this electricity in an average water year, creating additional revenues that reduce rates in Manitoba. The hydro system is supported by two small thermal generating stations, power purchased from two independent wind farms and a dozen transmission interconnections with neighbouring utilities. In 2012-13, Manitoba Hydro invested $472 million to ensure we continue to meet our customers' energy needs, reliably and affordably.

Installed generating capability:
5 685
megawatts.

Average annual energy produced:
32 billion
kilowatt hours.

Energy exported in 2012-13:
9.1 billion
kilowatt hours.

First power at the Wuskwatim Generating Station

A major milestone was achieved in June, when the first of three units at the 200-megawatt Wuskwatim Generating Station entered commercial service. The second unit was released for service two months later in August and the final unit followed in October. In total, the $1.8 billion Wuskwatim Project will deliver an average of 1 550 gigawatt hours of renewable energy annually.

Developed by the Wuskwatim Power Limited Partnership — a unique partnership involving Manitoba Hydro and the Nisichawayasihk Cree Nation (NCN) — the Wuskwatim Generating Station is on the Burntwood River approximately 45 kilometres southwest of Thompson within NCN's traditional territory. The Wuskwatim Project Development Agreement signed in 2006 provides NCN the option to own up to one-third of the Wuskwatim Generating Station through its wholly-owned Taskinigahp Power Corporation. NCN confirmed its intention to maintain a significant ownership position during the fiscal year.

From the beginning of construction in August 2006 to completion in December 2012, just over 6 000 workers were hired to work on the project for various periods of time. Approximately 37 percent of these hires were Aboriginal and 65 percent were from Manitoba.

Environmental review set for Keeyask Generating Station

The environmental impact statement for the proposed 695-megawatt Keeyask Generating Station was submitted to Manitoba Conservation and Water Stewardship and the Canadian Environmental Assessment Agency in July. Public hearings on the project by the Clean Environment Commission are scheduled for the fall of 2013.

The Keeyask Generating Station will be part of a Needs For and Alternatives To review that will examine Manitoba Hydro's proposed development plan, including the Conawapa Generating Station, a new Manitoba to U.S. transmission interconnection and new long-term export sales. This review will be conducted by the Manitoba Public Utilities Board. Manitoba Order in Council 128/2013 sets out the terms of reference. The review commences August 2013.

The $6.2 billion Keeyask Project is being developed by Manitoba Hydro in partnership with the four Keeyask Cree Nations — Tataskweyak Cree Nation, War Lake First Nation, Fox Lake Cree Nation and York Factory First Nation. The site for the station is on the Nelson River, approximately 30 kilometres west of Gillam, within the Split Lake Resource Management Area. Once completed, the Keeyask Generating Station will provide an average of 4 400 gigawatt hours of renewable energy each year.

At the end of the fiscal year, the process was underway to select a general civil contractor for the project. Pending regulatory approvals, construction of the generating station is scheduled to start in June 2014 with an expected in-service date of 2019.

To minimize risk of delays and optimize employment, training and business opportunities for the Keeyask Cree Nations, a separate infrastructure agreement was negotiated to enable an early start to construction of an access road and the first phase of the main construction camp. Work on the Keeyask Infrastructure Project began in early 2012 after a Manitoba Environment Act licence was received.

The majority of service contracts for the infrastructure project were awarded to joint venture partnerships involving the Keeyask Cree Nations.

Planning continues for Conawapa Generating Station

Preparatory work on the proposed 1 485-megawatt Conawapa Generating Station continued throughout the fiscal year. Environmental and Aboriginal traditional knowledge studies are underway with expectations that the project's environmental impact statement will be completed and ready to file with regulators by the end of 2014. Engineering and construction planning activities also continued with a potential construction start date of 2016 and an in-service date of 2025.

The $10.2 billion Conawapa project would be built on the Nelson River, about 90 kilometres downstream of Gillam, in the Fox Lake Resource Management Area. When complete, the station will produce an average of 7 000 gigawatt hours of electricity annually.

A formal planning process is ongoing with communities in the vicinity of the proposed generating station, including Fox Lake Cree Nation, York Factory First Nation, Tataskweyak Cree Nation, War Lake First Nation and Shamattawa First Nation. A memorandum of understanding between Fox Lake Cree Nation, the Province of Manitoba and Manitoba Hydro recognizes that Fox Lake will have a leading and significant role in the planning process of the Conawapa Project because of its proximity to the community.

New spillway for Pointe du Bois

Significant progress was achieved at the Pointe du Bois Generating Station where century-old spillway structures will be replaced with a seven-bay spillway and an earth-fill dam. Excavation of the new spillway channel finished in March and the new spillway structure is expected to be operational by spring 2014. Construction of the earth-fill dam and removal of the existing spillway structures is scheduled for completion in 2015.

The $560 million Spillway Replacement Project is required to maintain public and dam safety as well as provide a safer work environment for Manitoba Hydro employees. All but six of Pointe du Bois' 97 spillway bays or sluiceways have to be manually operated — a difficult and sometimes dangerous task in cold winter conditions when icing can occur. Further, the current spillways no longer meet the Canadian Dam Association's dam safety guidelines.

The new spillway structure will increase the station's flood capacity from approximately 2 850 cubic metres per second — the equivalent of a one-in-90-year flood event — to approximately 5 000 cubic metres per second.

Seasonal diversity agreement extended

In December, Manitoba Hydro and Great River Energy of Minnesota signed a term sheet for the seasonal exchange of 200 megawatts of capacity and associated energy from 2014 to 2025. The arrangement would provide Manitoba Hydro with 200 megawatts of firm capacity and energy during Manitoba's peak winter demand period. During the summer, when demand in Manitoba is lowest, the corporation would sell its surplus capacity and energy to Great River Energy.

The proposed arrangement would begin on November 1, 2014 and replace an existing 150-megawatt diversity exchange agreement that is currently set to expire on April 30, 2015.

Kelsey re-runnering nears completion

The last generating unit to be overhauled as part of a re-runnering project at the 52-year-old Kelsey Generating Station was taken out of service in September. The second-to-last unit was returned to service in May 2012 after rewinding, modifications to the draft tube and installation of a new turbine runner. The work increased the capacity of the unit by approximately 11 megawatts to 45 megawatts.

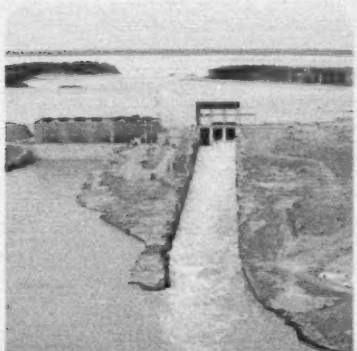
Rehabilitation of Kelsey's seven units began in 2006. The final unit is scheduled for return to service in late May 2013. When complete, the project is expected to increase the total output of the Kelsey Generating Station by about 77 megawatts at a cost of approximately $300 million.

More wind energy added

Ten additional wind turbines were built at Algonquin Power's St. Leon Wind Farm in the past fiscal year as the result of a 25-year power purchase agreement signed with Manitoba Hydro. The new turbines entered commercial service in December, increasing the installed capacity at St. Leon to 120.5 megawatts.

Manitoba Hydro also purchases energy from the 138-megawatt St. Joseph Wind Farm developed by Pattern Energy.

Left: The Wuskwatim Generating Station. Right: Senior staff, including Ken Adams, Senior Vice-President of Power Supply, pictured second from left, accompany Scott Thomson, President and Chief Executive Officer, second from right, on a visit to the site of the proposed Conawapa Generating Station.



On Reliability

Any time our customers turn on a light, plug-in a computer or ignite a gas stove, they are connecting to a vast network of wires and pipes that deliver energy where and when it's needed. Our network has grown, and must continue to grow, in step with the province we serve. In the past fiscal year, Manitoba Hydro invested $509 million to build and maintain a secure, dependable delivery system.

Transmission lines:
12 800
kilometres.

Distribution lines:
78 000
kilometres.

Natural gas pipelines:
9 000
kilometres.

Bipole III environmental review hearing concludes

In March, the Clean Environment Commission concluded 35 days of hearings over five months to review the environmental impact statement for the Bipole III Transmission Project as well as a supplementary filing on four proposed route adjustments. An environmental licensing decision is pending.

Bipole III is required to strengthen Manitoba Hydro's overall system reliability. The $3.3 billion project includes: a 1 384-kilometre, 500-kilovolt direct current transmission line; the Keewatinoow Converter Station near the site of the proposed Conawapa Generating Station about 90 kilometres downstream of Gillam; and the Riel Converter Station on the east side of Winnipeg. These facilities will provide backup to the Bipole I and II high voltage direct current system which shares a common right-of-way corridor and common southern terminus at the Dorsey Converter Station. This critical system delivers over 70 percent of the hydroelectricity Manitoba Hydro generates in northern Manitoba to customers in the south and markets outside of the province.

Work to identify a route and assess the environmental effects of the Bipole III Transmission Project began in 2008 and included multiple rounds of public and stakeholder consultations. Aboriginal communities were engaged as part of this process and their perspectives, including

Aboriginal traditional knowledge, were incorporated into the planning, site selection and environmental assessment process. The corporation continued to work with Aboriginal communities over the past fiscal year to discuss potential employment and business opportunities related to the project as well as review the project's proposed environmental protection program.

The target in-service date for the Bipole III Transmission Project is late 2017.

New Riel high voltage terminal will improve reliability

Contractors were erecting structural steel and other equipment at the new Riel Terminal Station at the end of the fiscal year. Under construction just east of Winnipeg, at the future site of the Riel Bipole III Converter Station, this new alternating current (AC) terminal will create another point where electricity imported from the United States on an existing 500-kilovolt transmission interconnection can be injected into Manitoba Hydro's transmission network. This will improve the reliability of the province's energy supply during prolonged outages to existing termination facilities or during droughts.

The Riel AC Reliability Improvement Project was undertaken after studies concluded it was necessary to reduce dependence on the existing termination at the Dorsey 500-kilovolt AC station. Those studies were conducted after a major wind downburst in September 1996 severely damaged 19 towers on both high voltage direct current lines immediately north of the Dorsey Converter Station and the adjacent Dorsey to Minnesota 500-kilovolt transmission line. This outage to the high voltage direct current system curtailed Manitoba Hydro's ability to transmit power from northern generating stations. The planned in-service for this project is 2014.

The proposed Bipole III Transmission Project will also terminate at Riel and include the addition of converters and ancillary equipment.

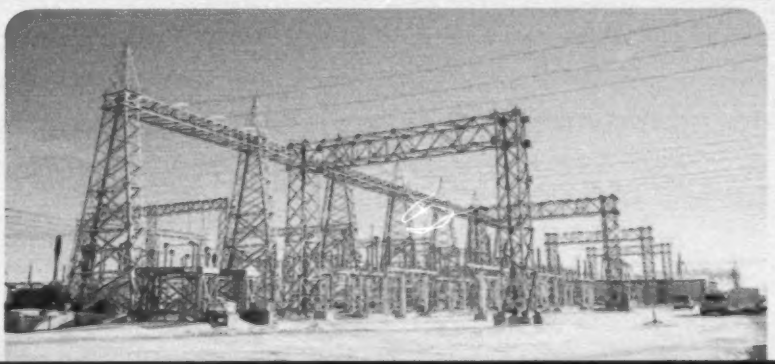
Replacing aging distribution stations

Like many utilities across Canada, significant portions of Manitoba Hydro's transmission and distribution systems that were installed decades ago are aging and are increasingly costly to maintain and renew. In addition, population growth and increased customer use of electricity requires a significant investment in new facilities to ensure a reliable electricity supply.

One example of this investment is the work at the new Burrows Distribution Station in Winnipeg's north end where final commissioning was underway at the end of the fiscal year. The 66- to 12-kilovolt station replaces two distribution stations which were over 75 years old and had reached the limits of their capacity. Designed with specific attention to safety and aesthetics because of the proximity to residential homes, the station offers a low profile presence in the community.

In February, work began on the new Martin Distribution Station in the Elmwood neighbourhood of Winnipeg. Similar in design to the Burrows station, the 66- to 12-, four-kilovolt Martin station is sited next to a station built in the 1950s that is no longer adequate for serving the needs of the area. The new station is scheduled to be in-service by the end of 2014.

Left: The new Riel Terminal Station under construction east of Winnipeg. Right: Three transformers were moved to the Riel site in November using a 320-tire self-propelled trailer.



Tenders for the engineering, materials procurement and construction of the Madison Distribution Station were issued in March. The Madison station will replace the St. James Distribution Station in Winnipeg, addressing concerns with aging infrastructure at the existing facility and providing capacity for the growing number of commercial and industrial customers in the area. Construction is expected to begin in the fall of 2013 pending the receipt of necessary environmental approvals.

New transmission stations add capacity

Progress was also made on a number of projects to add needed capacity to Manitoba Hydro's transmission system. The new 230- to 66-kilovolt Transcona East Transmission Station was completed in March in northeast Winnipeg and will resolve line-loading issues and accommodate the retirement of aging equipment at the existing Transcona Station. A new 230- to 66-kilovolt transmission station is under construction near Neepawa to meet forecast load growth in the area and scheduled to be in-service in 2015. And, the 230- to 115-kilovolt Rockwood East Transmission Station just north of Winnipeg is also scheduled to enter service in 2015, addressing load requirements north of Winnipeg. Rockwood East will eventually replace the older Parkdale Station near St. Andrews which was built in the 1940s.

Verifying ratings to maximize capacity

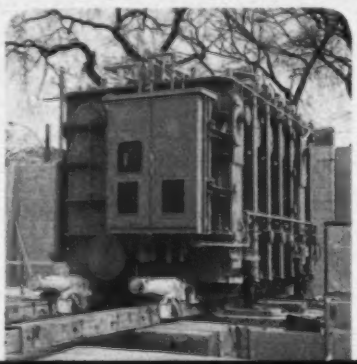
When transmission line wires carry more current, they run hotter, expand and sag closer to the ground. By ensuring compliance with applicable transmission line clearance requirements, Manitoba Hydro's Transmission Line Rating Verification and Mitigation Program helps maintain the reliability of the system while allowing the corporation to safely maximize capacity. Using aerial surveys that employ laser technology and transmission modeling applications, the program assesses about 500 kilometres of transmission line each year. As of March, approximately 33 000 line spans had been assessed representing about 80 percent of the corporation's transmission lines.

Maintaining natural gas reliability

Manitoba Hydro undertook a number of projects in the past fiscal year to maintain the integrity of the corporation's natural gas infrastructure, including pressure regulator upgrades, replacement of gas mains and corrosion control through the ongoing replacement of anodes. The completion of the Ile des Chenes Transmission Network Upgrade Project improved the reliability of the gas supply to Winnipeg and surrounding areas through the installation of 30-centimetre steel pipe and two above grade isolation valve assemblies.

Manitoba Hydro also initiated a review of its natural gas assets. Similar to condition assessments undertaken with the corporation's electric infrastructure, the review will provide a better understanding of the natural gas systems condition and produce recommendations for addressing any areas of concern that are identified.

Left: The King Street Distribution Station in downtown Winnipeg is nearly 100 years old. Centre: A 45 000-kilogram transformer is slid into place at the new Burrows Distribution Station. Right: Staff remove a 230-kilovolt bushing at the Radisson Converter Station.



On Service

Striving to be the best energy utility in North America requires more than developing sustainable energy sources or building reliable infrastructure to deliver that energy. It necessitates maintaining rates that are reasonable while ensuring future price stability. It requires working in challenging conditions, when called for, to restore interrupted service. And, it means finding innovative ways to help customers get the most out of their energy. An investment of $36 million in Power Smart energy conservation programs helped our customers reduce their energy costs by a combined $102 million in 2012-13.

Number of electricity customers:

548 774

Number of natural gas customers:

269 786

Increasing accessibility of energy efficiency

Manitoba Hydro introduced two initiatives in the past fiscal year to make energy efficiency accessible to more Manitoba homeowners or tenants who rent a home.

The Power Smart Pay As You Save (PAYS) Financing Program provides residential customers a convenient option for completing energy efficiency upgrades while keeping upfront costs and future monthly finance payments as small as possible. To do this, PAYS Financing allows a customer to use estimated annual utility savings gained from installing energy efficient measures to pay for those measures. Also, the financing is tied to the property, allowing a customer to transfer their financing to the next homeowner or tenant renting the property.

Through the Power Smart Neighbourhood Project, Manitoba Hydro is working with community organizations and groups to bring the benefits of energy efficiency and sustainability to residents of lower income neighbourhoods. Available measures include free in-home energy reviews, improvements to sealing, caulking and weather-stripping, adding pipe wrapping and water efficiency devices, installing new high-efficiency furnaces and boilers, and insulation upgrades. Community groups will manage each project and Manitoba Hydro will provide funding to cover coordination and promotion expenses. As of March, projects were underway in Winnipeg with the North End Community Renewal Corporation and in Brandon with the Brandon Neighbourhood Renewal Corporation.

Helping customers save

Manitoba Hydro offered both technical and financial support to customers looking to improve the efficiency of their operations and reduce energy costs through a suite of 20 Power Smart programs, including 10 for those in the commercial sector and three aimed at industrial customers.

Kitchen Craft of Canada, for example, was able to realize significant energy savings by revamping the compressed air system at their manufacturing plant in Winnipeg. Acting on recommendations by Manitoba Hydro, Kitchen Craft reduced system waste by redesigning their air compressor control system, resizing their air distribution system and adding more efficient compressors. As a result, Kitchen Craft reduced their electricity consumption by 1.6 million kilowatt hours per year. With the help of financial incentives provided under Manitoba Hydro's Power Smart Program, these improvements will pay for themselves in four years.

The corporation's Natural Gas Optimization Program and the Performance Optimization Program provided financial incentives to Malteurop Canada helping to improve the performance of their malt barley processing plant in Winnipeg. Exhaust air heat recovery and high efficiency process air heaters were installed, along with variable speed drives on the kiln fans and upgrades to process controls. As a result, Malteurop is expected to reduce their natural gas consumption by 640 000 cubic metres and their electricity consumption by 2.3 million kilowatt hours per year.

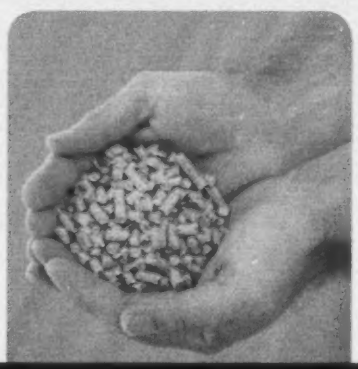
The Hanover School Division worked with Manitoba Hydro to build a new school in Steinbach to Power Smart Design Standards. Clear Spring Middle School is nearly 70 percent more energy efficient than a conventional school thanks to features such as a geothermal ground source heat pump for heating and cooling, energy efficient lighting plus a combination of occupancy sensors and daylight controls to minimize the use of artificial light, high levels of insulation in the walls and roof along with energy efficient windows and doors. The corporation provided technical advice throughout the design process as well as financial incentives through the Power Smart Commercial Lighting and Building Envelope programs.

Demonstrating benefits of bio-energy

A demonstration project that converts waste wood chips into a synthetic gas similar to natural gas then burns that gas to run two 50-kilowatt electrical generators went online last fall at the Pineland Forest Nursery near Hadashville. In Swan River, Spruce Products Ltd. also began using heat produced from combusted waste wood to operate a 100-kilowatt electric generator.

Both projects are part of Manitoba Hydro's Power Smart Bio-energy Optimization Program which shows businesses how to use new technologies to take advantage of renewable biomass fuels and lower operating costs. A third project was completed at Tolko Industries' kraft paper mill in The Pas in 2010 to demonstrate pyrolysis oil, a renewable energy source

Left: Scott Thomson, President and Chief Executive Officer, speaks to media after introducing the new Power Smart Pay As You Save Financing Program. Centre: Manitoba Hydro offers 13 Power Smart Programs to help business customers lower energy costs. Right: The Power Smart Bio-energy Optimization Program showcases technologies that can convert waste products into electricity or heat.



derived from waste wood that can be used to replace fossil fuels burned to produce steam or power. Two additional demonstration projects will be implemented at other customer sites in the coming fiscal year. All five projects received financial support from the Government of Canada's Clean Energy Fund matched by Manitoba Hydro and participating customers through work-in-kind contributions and capital investments.

Centralized dispatch serving province

Manitoba Hydro completed implementation of a new province-wide workforce management system in March that is improving productivity. The system standardizes work planning, scheduling and assignment for all electric and natural gas service staff. Over 600 laptops are deployed in vehicles allowing field staff to wirelessly receive work orders which are assigned based on location, driving time, work priority and skills required. It is expected that customers will see improved response times as a result of the system's ability to more effectively schedule work and allocate resources.

Severe snow and ice storms challenge crews

Ice and snow storms are not uncommon in Manitoba. In fact, Manitoba Hydro is a recognized leader in techniques to protect infrastructure in such conditions, including ice-melting on distribution and some transmission lines. This year, however, two severe storms — including the most powerful and widespread snow storm in nearly three decades — caused extensive damage and service interruptions.

Up to 45 centimetres of heavy, wet snow fell in the southeast corner of Manitoba between October 4 and 5, causing record ice accumulations of up to eight centimetres on conductors. These conditions combined with high winds caused outages on numerous transmission and distribution lines affecting approximately 29 000 customers. Over 250 staff from across the province responded to the storm, rolling ice off conductors, making conductor repairs and removing trees from lines. In total, 250 wood poles, 50 cross-arms, five distribution transformers and 700 insulators were replaced over five days.

Crews were also busy in the western part of the province during the month of December. For three weeks, unseasonably warm temperatures accompanied by freezing rain and hoar frost caused excessive ice accumulations on distribution lines. Over 300 staff rolled ice from nearly 4 500 kilometres of line and used ice-melting to clear an additional 2 300 kilometres of line. About 800 customers experienced outages ranging from one hour to 14 hours in duration. The ice removal work was successful in limiting damage to 12 wood poles, 613 conductor repairs and 58 insulator replacements.

Left: Crews work to remove ice from lines near Goodlands in southern Manitoba. Centre: A new centralized dispatch system is expected to improve response times. Right: Staff work to complete repairs after a severe storm in the Dauphin and Swan River area last June.

Electricity rate changes

On September 1, 2012, Manitoba Hydro implemented an interim 2.4 percent overall electricity rate increase. This followed an interim two percent increase implemented on April 1, 2012. Both increases were granted by the Manitoba Public Utilities Board pending conclusion of its review of the corporation's 2012-13 and 2013-14 general rate application.

In its final order, the Public Utilities Board finalized the interim rate increases and approved a further 3.5 percent rate increase across all customer classes effective May 1, 2013. The order also reversed a one percent rate rollback effective April 1, 2010 and returned associated revenues which had been held in a deferral account.

Manitoba Hydro's electricity customers continue to enjoy the lowest rate structure in North America.

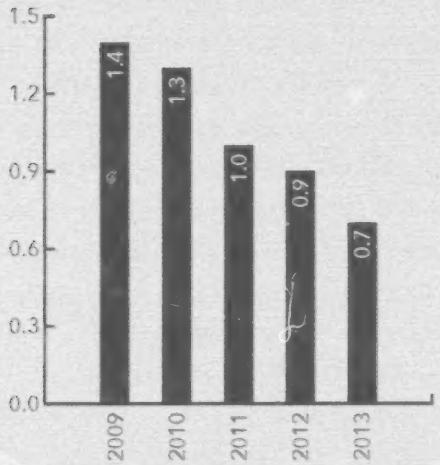
Natural gas rates decline

Natural gas prices across North America remained low throughout the 2012-13 fiscal year and Manitoba Hydro's natural gas customers benefitted as a result. The total annual natural gas bill for a typical residential customer in Manitoba was 44 percent lower than in 2003. From April 1, 2012 to March 31, 2013, natural gas rates declined by six percent or the equivalent of $46 annually for a typical residential customer.

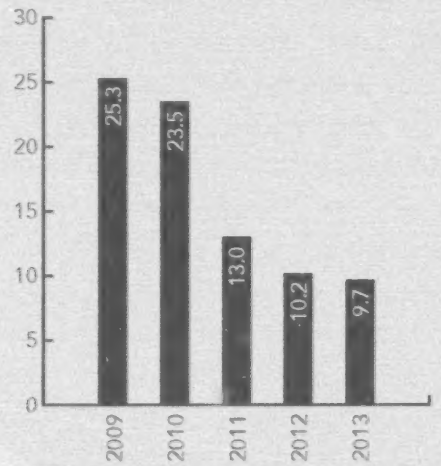
On Safety

Promoting safety in the work of our employees and in the actions of the public around our facilities is Manitoba Hydro's foremost goal. We are continually seeking to improve our safety performance and, in doing so, have achieved a steady decline in both workplace accident severity and frequency rates.

ACCIDENT FREQUENCY RATE
Incidents per 200 000 hours worked



ACCIDENT SEVERITY RATE
Days lost per 200 000 hours worked



Improving workplace safety

Manitoba Hydro's safety performance markedly improved for the fifth consecutive year. In 2012-13, the corporation achieved an accident frequency rate of 0.72 incidents per 200 000 hours worked and an accident severity rate of 9.68 calendar days lost due to workplace injury or illness per 200 000 hours worked.

Manitoba Hydro's safety culture is shaped by a safety management system, over 750 safe work procedures, job planning, work site visits, employee orientations, safety training and incident investigations. Additionally, Manitoba Hydro assists its employees to return to work as soon as medically possible through attendance management and reasonable accommodations. Timely return to the workplace decreases recovery time and reduces the financial impact for the employee, their families and the corporation.

Profiling employees committed to safety

Twelve employees who demonstrate safe work habits and a commitment to motivating others to practise safety at work and at home are the subject of a year-long internal safety campaign that kicked off in January. Each month the corporation's internal newsletter as well as calendars and banners posted in work locations across the province feature a different safety ambassador's photo and story describing why he or she chooses to work safe. Primarily directed at customer service field staff, this is the second year for the safety campaign.

Farm safety a priority

Farm safety continues to be a priority for Manitoba Hydro. The corporation's agricultural equipment move permit program encourages farm customers to provide a designated route map to ensure there are adequate clearances to move oversized equipment. The Go Underground Program encourages customers to bury overhead power lines in their farm yards. Manitoba Hydro will share 50 percent of the cost of burying the primary service line up to $10 000. In the last fiscal year, 18 customers took advantage of the program.

These farm safety programs were promoted through billboards, posters and public service announcements on radio and television. Agricultural safety messages were also delivered to over 2 000 youth in 16 communities at Progressive Agriculture Safety Days.

Play It Safe Club celebrates

2013 marks the twentieth anniversary of Louie the Lightning Bug's Play It Safe Club which continues to be a popular, fun and educational way for children to learn about electrical and natural gas safety. The nearly 7 000 members of the club receive a personally addressed membership kit, collectible trading cards, newsletters full of activities and birthday wishes from Louie himself. In addition to the club, Louie also keeps busy spreading safety messages through videos, posters, television commercials and personal appearances across the province.

Promoting snowmobile safety

The corporation continued to work closely with Snoman Inc., a non-profit organization providing safety resources to 51 member snowmobile clubs. The past year's safety campaign included trail map advertising, billboard messages throughout the province, school posters, television advertising and public service announcements for radio and newspaper. Support was also provided to community snowmobile safety clinics in Victoria Beach and Thompson.

Throughout 2013, these twelve safety ambassadors will share their personal reasons for choosing to work safe as part of an internal safety campaign.

On Environment

Manitoba Hydro endeavours to incorporate environmental awareness and protection into all our activities. We proactively plan to prevent or mitigate adverse impacts from our projects. We maintain a corporate-wide environmental management system registered to ISO 14 001 standards. We also support environmental research and education initiatives relevant to our operations.

Amount of generation from renewable sources:

99 percent

Manitoba Hydro Place certified platinum

In May, Manitoba Hydro's head office building became the first office tower in Canada to achieve a platinum certification from the Green Building Council of Canada for adherence to Leadership in Energy and Environmental Design (LEED) standards. Completed in 2009, Manitoba Hydro Place is already recognized as the most energy efficient office tower in North America. Compared to conventional office towers, Manitoba Hydro Place achieves reductions in energy use of over 70 percent — from over 300 kilowatt hours per square metre to under 85 kilowatt hours — resulting in estimated energy savings of over $500 000 annually.

These savings were achieved thanks to a unique building design that utilized leading-edge Power Smart technologies as well as passive and active energy efficient systems. These include south-facing winter gardens to capture the maximum amount of solar energy during winter months, a solar chimney to provide ventilation with minimum energy usage and the extensive use of glass to allow for natural lighting.

Manitoba Hydro Place also received the 2012 International Green Good Design Award and was one of 14 developments from around the world to receive a 2012 Urban Land Institute Global Awards for Excellence.

Wuskwatim fish habitat enhancement

While construction of the Wuskwatim Generating Station was completed in the fiscal year, fish habitat enhancement work related to the project is continuing. To obtain a Fisheries Act Authorization to construct and operate the station, the Wuskwatim Power Limited Partnership submitted a No Net Loss Plan to Fisheries and Oceans Canada describing how fish habitat lost during construction would be offset.

Those offsets include building an isthmus to protect areas of Wuskwatim Lake from wave action, using rock to construct whitefish spawning reefs and creating more than 300 boulder clusters on the lake

bottom to create variability in an effort to promote use by fish. Debris was also removed from an embayment at the base of what was Taskinigup Falls and aquatic vegetation planted to create habitat. An access road used during construction will be converted into a notched weir in 2013-14 to control water levels in the embayment while allowing access for fish.

The effectiveness of the habitat enhancement works will be monitored in the years following completion and results will be reported annually to Fisheries and Oceans Canada.

Enhancing sturgeon stewardship

Manitoba Hydro concluded negotiation of a lake sturgeon stewardship agreement for the lower Nelson River with area First Nations and the fisheries branch of Manitoba Conservation and Water Stewardship. Signed by Tataskweyak Cree Nation, War Lake First Nation, York Factory First Nation, Fox Lake Cree Nation and Shamattawa First Nation, the agreement establishes the Lower Nelson River Sturgeon Stewardship Committee – a forum where all parties will work collaboratively to develop a regional stewardship plan. Such a plan will set out comprehensive research and monitoring measures as well as objectives and strategies for the protection and enhancement of lake sturgeon populations.

The stewardship committee will also support Manitoba Hydro's Lake Sturgeon Stewardship and Enhancement Program and work in partnership with Keeyask Cree Nations to protect and enhance lake sturgeon populations by incorporating extensive design features and mitigation measures into the Keeyask Generating Station Project.

Lower Churchill River confluence study

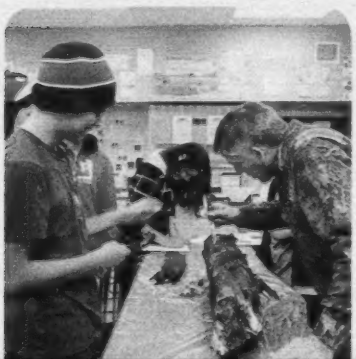
An assessment of flow conditions in a known sturgeon spawning area located at the confluence of the Little Churchill and Churchill rivers was completed in the past fiscal year. Initiated by Manitoba Hydro and the Tataskweyak Cree Nation in 2010, the Lower Churchill River Confluence Study examined the role flows in each river play in sturgeon access to the Little Churchill and described habitat characteristics important to sturgeon in the area.

Since 1976, Manitoba Hydro has diverted a portion of Churchill River flows into the Nelson River for hydroelectric production purposes. The study concluded that flows on the Churchill River in drought conditions do not impact the Little Churchill and thus do not diminish sturgeon spawning potential on that river.

Supporting environmental awareness initiatives

Manitoba Hydro's Environmental Partnership Fund supported over 20 community-based projects in 2012, including the Provincial Rod and Reel Program run by Fish Futures. The program delivered a stewardship message as well as rods, reels and tackle to over 600 students located in northern

Left: Students at Little Black River School learn forest research skills thanks to funding from Manitoba Hydro's Forest Enhancement Program. Centre: Manitoba Hydro is working to increase the province's sturgeon population. Right: Manitoba Hydro's head office building in downtown Winnipeg is the most energy efficient office tower in North America.



Manitoba. The students were given the opportunity to participate in a hands-on activity and learn about fish habitat and biology.

Established in 1993, the Environmental Partnership Fund provides one-time or multi-year contributions to support the development and implementation of environmental education projects with a sustainable development focus.

With funding from Manitoba Hydro's Forest Enhancement Program, youth at Little Black River School developed forest research skills and reconnected to the surrounding forest in their community. The students also planted 500 trees on their school property while learning about many benefits of planting trees; absorbing greenhouse gases, producing oxygen, stabilizing the soil and providing habitat for birds and small mammals.

In 2012, 42 projects from around Manitoba received funding through the program which will enhance community forests and support forest education. Over 113 000 trees have been planted as a result of the program since 1995.

One of Canada's greenest

In March, the editors of Canada's Top 100 Employers project named Manitoba Hydro one of Canada's greenest employers. Competing employers were evaluated on four main criteria: unique environmental initiatives and programs; success at reducing their environmental footprint; the degree to which employees are involved in these programs; and the extent to which these initiatives are linked to the organization's public identity.

Manitoba Hydro's selection recognized a number of initiatives, including the corporation's environmental management system designed to ensure impacts from ongoing and future operations are addressed, work to preserve lake sturgeon, a centralized facility to ensure proper disposal of both hazardous and non-hazardous waste, and the Education for Sustainable Development Grants Program.

On Relationships

Manitoba Hydro's commitment to being an outstanding corporate citizen is manifest in our work to create positive relationships with our customers, our employees and their representatives, Aboriginal communities and other stakeholders. It is also evident in our efforts to recruit a workforce that reflects the diversity of our province and in the support we provide to community activities.

Number of employees:
6 463

Women:
25 percent

Aboriginal:
17 percent

Persons with disabilities:
10 percent

Visible minorities:
7 percent

Building a skilled and diverse workforce

Manitoba Hydro was selected as one of the nation's leading employers and one of the best diversity employers for 2013 by the editors of Canada's Top 100 Employers who recognized the corporation's many workplace diversity and inclusiveness programs.

Examples include the corporation's Northern and Southern Aboriginal Pre-placement Training programs, and the Aboriginal Line Trades Training Program. These programs provide on-the-job training, academic upgrading, mentorship and guidance to help Aboriginal candidates acquire the skills and competencies to successfully move into Manitoba Hydro's technical trades training programs. In the past fiscal year, 26 candidates successfully completed the pre-placement training and were

selected for the power electrician, operating technician or line trades training programs. A combined 29 new trainees were hired into the pre-placement training programs.

Another example is the corporation's Acquired Brain Injury Program. Designed to reintegrate people who have sustained a severe brain injury into the workforce, 10 participants have become permanent employees since the program was first implemented in 2002. Two individuals began work placements with Manitoba Hydro as part of the program in the fiscal year.

Two graduates of the University of Manitoba's Internationally-Educated Engineers Qualification (IEEQ) Program were hired into Manitoba Hydro's Internationally Educated Engineer – Career Development Program and the Engineer-in-Training Program during the past fiscal year. Another graduate of the program was also hired direct to a permanent professional engineering position. The IEEQ Program supports engineers who trained abroad in fulfilling the academic requirements of the Association of Professional Engineers and Geoscientists of Manitoba. Manitoba Hydro provides cooperative work terms and, since 2004, has awarded annual bursaries worth $1 500 to two students enrolled in the program.

Manitoba Hydro supported continued education in programs that connect to high demand occupations in 2012. Fifty-nine individual awards, bursaries and scholarships valued at over $180 000 were awarded to students at the high school, college and university levels.

The corporation has established positive and mutually beneficial working relationships with four certified bargaining units – the International Brotherhood of Electrical Workers Local 2034, the Canadian Union of Public Employees Local 998, the Association of Manitoba Hydro Staff and Supervisory Employees, and the Communications, Energy and Paperworkers Union Local 681 – as well as the Manitoba Hydro Professional Engineers Association. The corporation also liaises regularly with the Allied Hydro Council, the official bargaining agent for the 17 international and 19 local unions whose members are involved in the construction of northern generation facilities.

Strengthening relationships with Aboriginal peoples

Manitoba Hydro continued to build relationships with Aboriginal peoples by addressing the effects of its operations on their communities, by promoting and pursuing business relationships with Aboriginal companies and by fostering an appreciation of Aboriginal culture in the workplace.

Out of $470 million in contracts awarded to Manitoba companies in the past fiscal year, $49 million went to Manitoba Aboriginal companies. Manitoba Hydro uses procurement strategies and policy to create business opportunities for Aboriginal enterprises. These strategies include restricted tendering or creation of smaller custom work packages to suit the business capacities of a community in proximity of the work.

Left: Some of Manitoba Hydro's Corporate Facilities staff with a Project Search student pictured at centre. Centre: Elder Bill Compton shared teepee teachings with Manitoba Hydro employees as part of Aboriginal Awareness Week in May. Right: Manitoba Hydro continued as title sponsor of the Power Smart Winnipeg Santa Parade in November.

In November, the Manitoba Métis Federation signed an agreement with Manitoba Hydro on behalf of the primarily Métis trappers from Duck Bay and Camperville to address all impacts of the Grand Rapids Project on commercial trapping, past, present and future. The corporation provided funds to the Manitoba Métis Federation for distribution as compensation to individual trappers or eligible survivors according to the principles in the agreement.

Over 135 000 kilometres of waterways in the Saskatchewan, Burntwood, Churchill and Nelson River systems were patrolled between June and October 2012, as part of Manitoba Hydro's Waterways Management Program. The program enhances the safety of northern waterways with its Safe Travel Routes, Debris Management and Boat Patrol Initiatives. A total of 13 boat crews employing Aboriginal people from communities in northern Manitoba complete a wide range of tasks including placing navigational markers, collecting potential hazards such as floating logs and old nets, and assisting resource users.

The corporation celebrated National Aboriginal Awareness Week in May 2012 with culturally significant activities including musical performances by Aboriginal employees of Manitoba Hydro and teepee teachings from an Aboriginal elder. In addition, over 1 700 employees have participated in Aboriginal cultural awareness workshops since the corporation began offering sessions in 2005.

Supporting communities

In June 2012, eight students representing the first Canadian class of Project Search graduated from high school during a ceremony at Manitoba Hydro Place. Project Search partnered with Manitoba Hydro to provide high school students with an intellectual disability the opportunity to gain employability skills. The 10-month program included class time at Manitoba Hydro combined with a variety of work experience placements. Students are given support through work accommodations and adaptations as well as on-the-job coaching provided by the Project Search Program. Year two of the program began in September 2012.

Manitoba Hydro was a sponsor of the 55Plus Games held in Arborg from June 12 to 14. The event attracted nearly 900 participants competing in events such as bowling, contract bridge, darts, golf, baseball and track. Organized by the Active Living Coalition for Older Adults in Manitoba, the games promote the benefits of healthy living for older Manitobans and provide opportunities for regular physical, mental and social activities. The corporation has also agreed to sponsor the 2013 games to be held in Morris.

The corporation also sponsored a number of other community events in 2012-13 including the Power Smart Santa Claus Parade in Winnipeg, the Power Smart Manitoba Games in Swan River and the Northern Manitoba Trapper's Festival in The Pas.

Corporate governance

The affairs of Manitoba Hydro are overseen by a board whose members are appointed by the Lieutenant-Governor in Council of Manitoba.

The board's primary responsibility is to ensure that the corporation carries out its legislative mandate. The board considers the principles of sustainable development, and Manitoba Hydro's code of ethics, in its decisions. Minutes of board meetings are public and the corporation's annual report and quarterly financial statements are tabled in the legislature. The annual report is approved by a committee of the Manitoba legislature. The mandate of the corporation is reviewed by the Crown Corporations Council.

The Audit Committee of the board reviews Manitoba Hydro's integrated financial forecast and makes recommendations to the board. The Audit Committee reviews whether Manitoba Hydro's quarterly and annual financial statements present fairly the financial position and performance in accordance with generally accepted accounting principles. The Audit Committee confirms whether management has assessed areas of potential significant financial and operational risk and has taken appropriate measures, and the Audit Committee reviews management's systems for ensuring legal compliance. The Audit Committee obtains opinions from external auditors, internal auditors and management on the quality of internal controls, and verifies that external auditors have performed their duties with sufficient independence from management.

The Human Resources and Governance Committee assists the board with succession planning and human resources issues. The committee reviews the board's approach to corporate governance with a view to best practices and Manitoba Hydro's mandate.

All of the members of the board sit on the Planning Committee, which approves the annual corporate strategic plan.

Manitoba Hydro encourages employees and others to speak up on matters of concern without fear of reprisal, through its Integrity Program. All disclosures under the Integrity Program are protected by strict rules of confidentiality.

Below is a summary of all disclosures received during 2012-13 which allege wrongdoing as defined in The Public Interest Disclosure (Whistleblower Protection) Act:

Total number of disclosures received:	22
Number of disclosures ongoing from 2011-12:	4
Number of disclosures acted upon:	26
Number of disclosures not acted upon:	0
Number of investigations commenced/continued:	26
Number of disclosures that were verified:	5
Number of disclosures that were investigated and could not be verified:	11
Number of disclosures carried forward to 2013-14:	10

Corrective action was taken for each verified incident, as follows:

- Two employees were terminated for a conflict of interest.
- One employee was terminated and one employee received a written reprimand for mismanagement at a work site.
- An employee was terminated for falsifying a mileage claim.
- An employee received a five-day suspension for submitting and entering false information into the corporation's records.
- An employee received a three-day suspension for making unwanted sexual advances and comments.

Appearing left to right:

Carmen Neufeld

Dr. John Loxley

Tina Keeper

Eugene Kostyra

William C. Fraser, FCA
Chair

David Crate

Larry Vickar

Dudley Thompson

James Husiak, CA

Not in photo:
Michael Spence, Frank Whitehead

Appearing left to right:

Ed T. Tymofichuk, P. Eng
Vice-President, Transmission

Ken M. Tennenhouse, LL.B
Vice-President, General Counsel and Corporate Secretary

Darren B. Rainkie, CA, CBV
Vice-President, Finance and Regulatory

Lloyd Kuczek, P. Eng, MBA
Vice-President, Customer Care & Energy Conservation

Scott A. Thomson, CA
President and Chief Executive Officer

E. Ruth Kristjanson, BA (Hons), MA
Vice-President, Corporate Relations

Ken R. F. Adams, P. Eng
Senior Vice-President, Power Supply

G. Brent Reed
Vice-President, Customer Care and Distribution

Bryan Luce
Vice-President, Human Resources and Corporate Services

Financial Review

Management's Discussion and Analysis

Overview	44
Consolidated Results	45
Electricity Operations	47
Natural Gas Operations	52
Subsidiaries	55
Corporate Goals	56
Report on Performance	57
Risk Management	58
Status of Transition to International Financial Reporting Standards (IFRS)	59
Outlook	60

Consolidated Financial Statements

Management Report	63
Auditors' Report	64
Statement of Income	65
Statement of Retained Earnings	65
Balance Sheet	66
Statement of Cash Flows	68
Statement of Comprehensive Income	69
Statement of Accumulated Other Comprehensive Income	69
Notes to Financial Statements	70
10-Year Financial Statistics	98
10-Year Operating Statistics	99

The Management's Discussion and Analysis (MD&A) section of the Annual Report provides comments on the financial results and operational performance of Manitoba Hydro for the year ended March 31, 2013 with comparative information where applicable. The MD&A also provides an assessment of Corporate risks and contains forward-looking statements regarding conditions and events which may affect financial performance in the future. Such forward-looking statements are subject to a number of uncertainties which are likely to cause actual results to differ from those anticipated. For context, the MD&A should be read in conjunction with the consolidated financial statements and notes.

As a provincially-owned Crown Corporation, Manitoba Hydro's mandate is to provide for the continuance of a supply of energy to meet the needs of Manitoba consumers in the most reliable, economic and environmentally sustainable manner. In fulfilling its mandate, Manitoba Hydro has assessed all known risks and has established a number of goals with related measures and targets. In addition to a review of financial and operational performance, the MD&A also reviews Manitoba Hydro's progress towards achieving its strategic goals.

OVERVIEW

Manitoba Hydro's consolidated net income from electricity and natural gas operations for the fiscal year ended March 31, 2013 was $92 million compared to $61 million in the previous fiscal year. The increase in net income of $31 million was largely attributable to increased revenues from domestic electricity sales partially offset by higher expenses. The Wuskwatim Generating Station became operational during 2012-13 which also contributed to higher expenses over the previous year.

Consolidated net income of $92 million for the 2013 fiscal year was comprised of net income of $84 million in the electricity sector and net income of $8 million in the natural gas sector. The gas sector net income represented a $14 million improvement over the previous year which was mainly a result of colder weather during the winter of 2012-13 compared to warmer weather during the winter of 2011-12.

Consolidated net income of $92 million for 2012-13 was higher than the forecasted net income of $60 million largely due to higher than forecast electricity revenues and lower than forecast power purchases.

Net income of $92 million contributed to the Corporation's retained earnings of $2 542 million at March 31, 2013, the highest level of equity in the Corporation's history. The debt to equity and capital coverage ratios met or exceeded target levels while the interest coverage ratio was close to the target level for the year.

CONSOLIDATED RESULTS

The following schedule summarizes Manitoba Hydro's consolidated financial results for the fiscal year ended March 31, 2013 compared to the previous fiscal year:

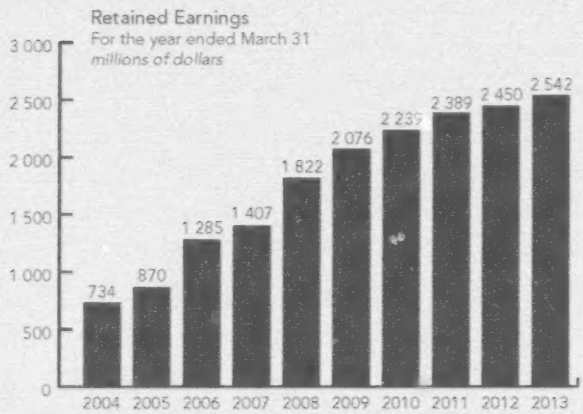
	Electricity		Natural Gas		Consolidated		
	2013	2012	2013	2012	2013	2012	Change
	millions of dollars						
Revenues							
Manitoba (net of cost of gas sold)	1 380	1 219	147	132	1 527	1 351	176
Extraprovincial	353	363	-	-	353	363	(10)
	1 733	1 582	147	132	1 880	1 714	166
Expenses	1 662	1 515	139	138	1 801	1 653	148
Net income (loss) before non-controlling interest	71	67	8	(6)	79	61	18
Net loss attributable to non-controlling interest	13	-	-	-	13	-	13
Net income (loss)	84	67	8	(6)	92	61	31
Total assets	13 928	13 203	614	588	14 542	13 791	751
Retained earnings	2 500	2 416	42	34	2 542	2 450	92
Financial Ratios							
Debt:Equity					75:25	74:26	
Interest coverage					1.15	1.10	
Capital coverage					1.25	1.13	

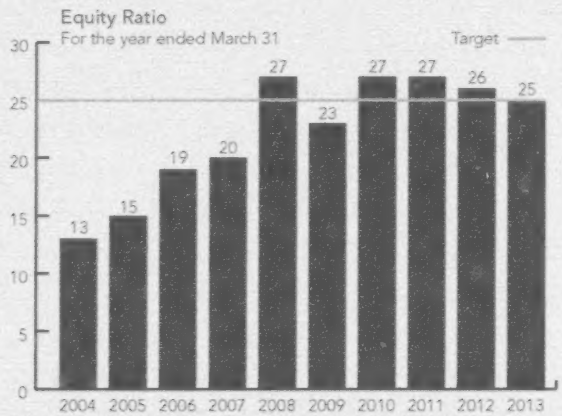
Revenues from consolidated electricity and natural gas operations totaled $2 062 million in 2012-13 compared to $1 911 million in the previous fiscal year. After deducting the cost of gas sold, which is a pass-through cost with no mark-up to customers by Manitoba Hydro, revenues amounted to $1 880 million compared to $1 714 million in the prior year. The $166 million or 9.7% increase in revenues was largely attributable to increased domestic electricity sales as a result of increases in electricity rates and colder weather than the previous year.

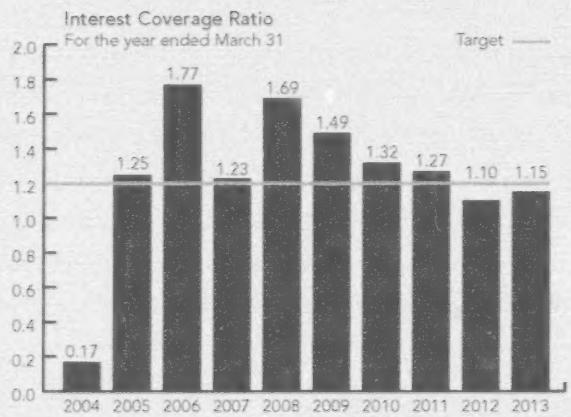
Expenses for electricity and natural gas operations totaled $1 801 million in 2012-13, an increase of $148 million or 8.9% over the previous year. The increase was largely due to a $66 million increase in finance expense, a $52 million increase in operating and administrative expense and a $42 million increase in depreciation and amortization partially offset by a $13 million decrease in power purchases.

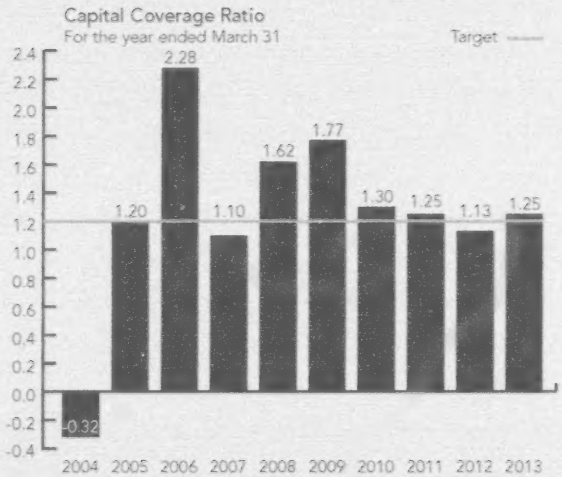
Net loss attributable to non-controlling interest represents Taskinigahp Power Corporation's (TPC) 33% share of the Wuskwatim Power Limited Partnership's (WPLP) operating loss of $40 million in 2012-13. The WPLP has two limited partners, Manitoba Hydro and TPC, which is owned beneficially by Nisichawayasihk Cree Nation (NCN), and a General Partner which is a wholly-owned subsidiary of Manitoba Hydro.

Net income from electricity and natural gas operations amounted to $92 million in 2012-13 compared to $61 million in the previous year. The consolidated net income increased retained earnings to $2 542 million at March 31, 2013. As indicated in the accompanying chart, net income of $92 million resulted in the equity ratio being 25% at March 31, 2013, which is consistent with the Corporation's target of 25%. The capital coverage ratio of 1.25 exceeded the target of 1.20 and the interest coverage ratio of 1.15 was slightly lower than the target of 1.20.









Financing

Cash provided from operations in 2012-13 was $589 million, an increase of $22 million from the previous year. The increase reflects higher net income than the previous year.

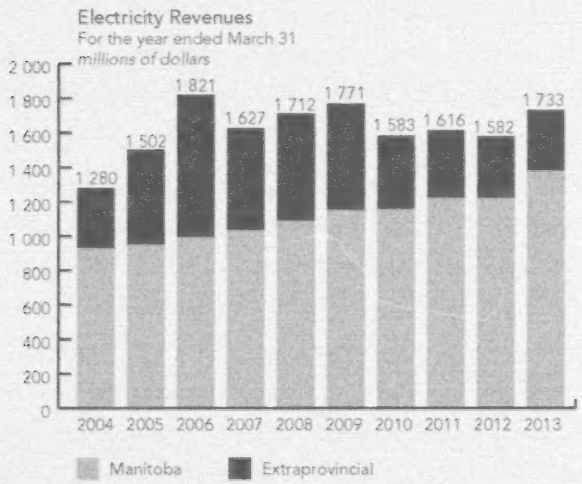
Proceeds from financing arranged by the Corporation amounted to $807 million in 2012-13 compared to $698 million in the previous year. Current year proceeds were used to fund new capital requirements and to retire long-term debt maturing during the year.

During 2012-13, the Corporation retired $242 million of debt comprised of Provincial Advances of $150 million, HydroBonds of $81 million and Manitoba Hydro-Electric Board Bonds of $11 million.

ELECTRICITY OPERATIONS

Electricity Revenues

Electricity revenues totaled $1 733 million, an increase of $151 million or 9.5% from the previous year. The increase was the result of a $161 million increase in domestic revenues partially offset by a $10 million decrease in extraprovincial revenues. The increase in domestic revenues was primarily due to rate increases and higher usage as a result of colder weather during the winter heating season. The decrease in extraprovincial revenues was primarily due to lower volumes in the U.S. markets.

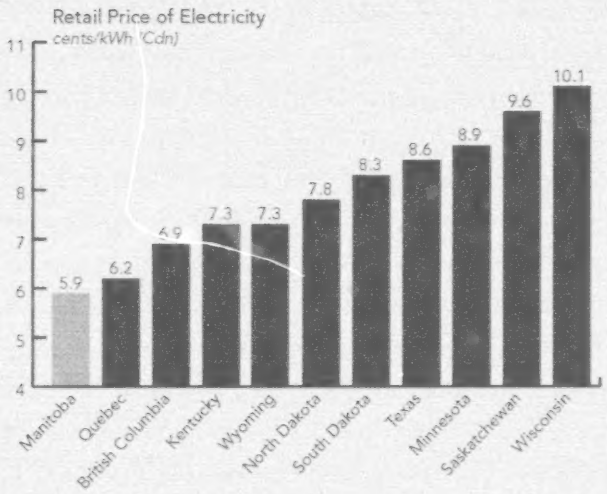


Electricity Rates

In Order 43/13, dated April 26, 2013, the Public Utilities Board (PUB) provided final approval of the 2.0% and the 2.4% rate increases that had been approved on an interim basis effective April 1, 2012 and September 1, 2012, respectively.

The PUB had directed in Order 5/12, dated January 17, 2012, that the 2.9% electricity rate increase previously approved on an interim basis effective April 1, 2010 be reduced to 1.9% and that the associated revenues were to be set aside as a regulatory deferral until further direction was provided by the PUB. The cumulative impact of the 1.0% rate reduction for 2010-11 and 2011-12 was recorded as a reduction to revenues of $23 million in 2011-12. In Order 43/13, the PUB approved the Corporation's application to reinstate the 1.0% rate deferral as revenue in the 2012-13 fiscal year. The cumulative impact of this decision was to increase revenues by $35 million in 2012-13 of which $23 million related to 2010-11 and 2011-12.

Manitoba Hydro's domestic electricity rates continue to be the lowest overall in North America. This is illustrated in the chart below which was excerpted from utilities' annual reports and United States Department of Energy and Edison Electric Institute publications.



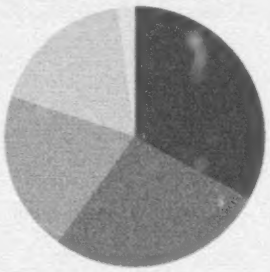
The breakdown of electricity revenues by customer segment is as follows:

Electricity Revenues and Kilowatt Hour Sales

For the year ended March 31

	2013	2012	% change	2013	2012	% change
	millions of dollars			*millions of kWh*		
Manitoba						
Residential	554	501	10.6	7 334	6 930	5.8
General service	465	432	7.6	6 877	6 660	3.3
Industrial	299	283	5.7	7 266	7 180	1.2
Other revenue	39	26	50.0	-	-	-
	1 357	1 242	9.3	21 477	20 770	3.4
1% rate deferral	23	(23)	-	-	-	-
Manitoba revenue	1 380	1 219	13.2	21 477	20 770	3.4
Extraprovincial	353	363	(2.8)	9 087	10 244	(11.3)
	1 733	1 582	9.5	30 564	31 014	(1.5)

Revenues from electricity sales in Manitoba totaled $1 380 million in 2012-13, an increase of $161 million from the previous year. Electricity consumption in Manitoba was 21 477 million kilowatt-hours, 707 million kilowatt-hours higher than the previous year. The increase in consumption was mainly due to higher heating loads as a result of colder winter weather in 2012-13.



Electricity Revenue
For the year ended March 31, 2013

Residential	33%
General service	27%
Extraprovincial	20%
Industrial	18%
Other	2%

Revenues from sales to residential customers for 2012-13 amounted to $554 million, an increase of $53 million or 10.6% from the previous year. The increase was primarily a result of a higher heating load from colder winter weather and the rate increases implemented during the year. At March 31, 2013 the number of residential customers was 480 254, an increase of 5 593 or 1.2% compared to the previous year.

Revenues from general service customers amounted to $465 million in 2012-13, an increase of $33 million or 7.6% from the previous year. The increase was mainly attributable to the rate increases implemented during the year, colder winter weather and an increase of 488 customers.

Revenues from large industrial customers amounted to $299 million, an increase of 5.7% or $16 million from the previous year. The increase was mainly the result of rate increases implemented during the year and increased consumption.

Extraprovincial revenues totaled $353 million in 2012-13, a decrease of $10 million from the previous year. The decrease reflects lower U.S. and Canadian sales volumes resulting from increased Manitoba load partially offset by higher export prices. Of the total extraprovincial revenues, $312 million or 88% was derived from the U.S. market, while $41 million or 12% was from sales to Canadian markets.

Electricity Expenses

Electricity expenses totaled $1 662 million for 2012-13, an increase of $147 million or 9.7% over the previous year. The increase in expenses was primarily the result of a $67 million increase in finance expense, a $50 million increase in operating and administrative expenses, a $41 million increase in depreciation and amortization partially offset by a $13 million decrease in power purchases.

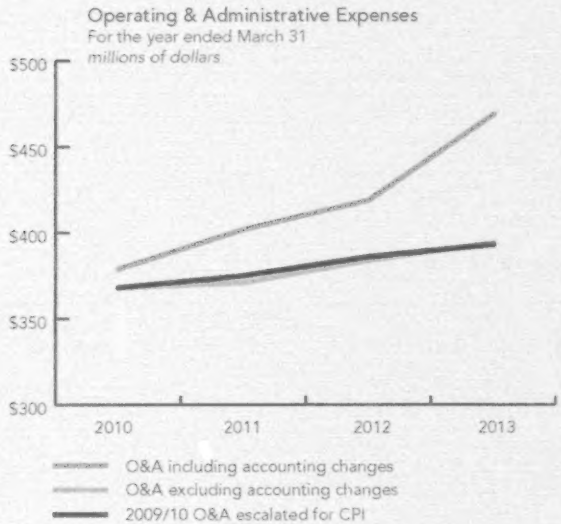
Electricity Expenses

For the year ended March 31

	2013	2012	% change
	millions of dollars		
Operating and administrative	469	419	11.9
Finance expense	452	385	17.4
Depreciation and amortization	394	353	11.6
Water rentals and assessments	118	119	(0.8)
Fuel and power purchased	133	146	(8.9)
Capital and other taxes	87	84	3.6
Corporate allocation	9	9	-
	1 662	1 515	9.7

Operating and administrative expenses are comprised primarily of labour, material and overhead costs associated with operating, maintaining and administering the facilities and programs of the Corporation. In 2012-13, operating and administrative expenses for electric operations amounted to $469 million, an increase of $50 million over 2011-12. The increase in operating and administrative expenses attributable to accounting changes implemented during the year was $30 million and the increase in employee benefits resulting from changes in discount rates was $12 million. After adjusting for these accounting and discount rate changes, the increase in operating and administrative expenses for 2012-13 was $8 million or 1.9% as compared to the previous year.

The following graph provides a comparison of the growth in operating and administrative expenses, including and excluding accounting changes, as compared to changes in the consumer price index (CPI). This demonstrates that when excluding accounting changes Manitoba Hydro has managed its operating and administrative expenses consistent with inflation even with the in-service of the Wuskwatim generating station.



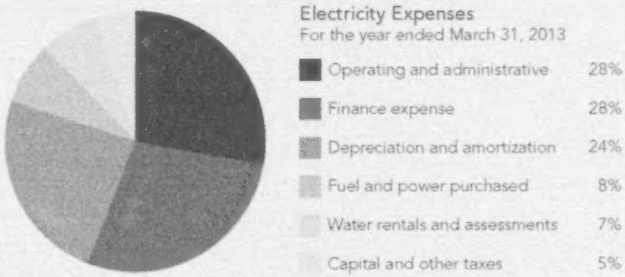
Finance expense totaled $452 million in 2012-13, an increase of $67 million or 17.4% from the previous year. The increase was primarily due to higher volumes of long-term debt to finance capital expenditures, the financing costs associated with the Wuskwatim Generating Station coming into service during the year and a weaker Canadian dollar.

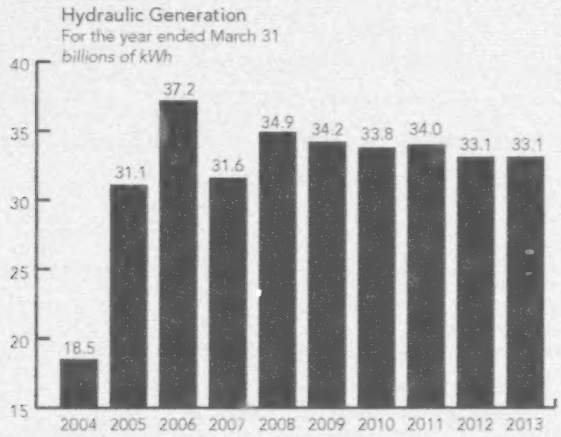
Depreciation and amortization expense amounted to $394 million in 2012-13, an increase of $41 million or 11.6% from the previous year. The increase was mainly attributable to new additions to plant and equipment coming into service, including the Wuskwatim Generating Station.

Water rentals and assessments amounted to $118 million in 2012-13, a decrease of $1 million from the previous year. The decrease reflects a small reduction in other fees and assessments. Hydraulic generation amounted to 33.1 billion kilowatt-hours in 2012-13 which is the same as 2011-12.

Fuel and power purchased includes fuel for the thermal generating stations and remote diesel sites, purchases of wind power from the independently-owned St. Leon and St. Joseph wind farms and from electricity imports. Fuel and power purchased was $133 million in 2012-13, a decrease of $13 million or 8.9% over 2011-12. The decrease in power purchased was primarily the result of lower system merchant purchases due to reduced arbitrage opportunities between markets and credits received on transmission rights due to higher than expected congestion.

Capital and other taxes amounted to $87 million in 2012-13, an increase of $3 million or 3.6% compared to the previous year. The change was mainly due to increased capital taxes related to additional capital investment.

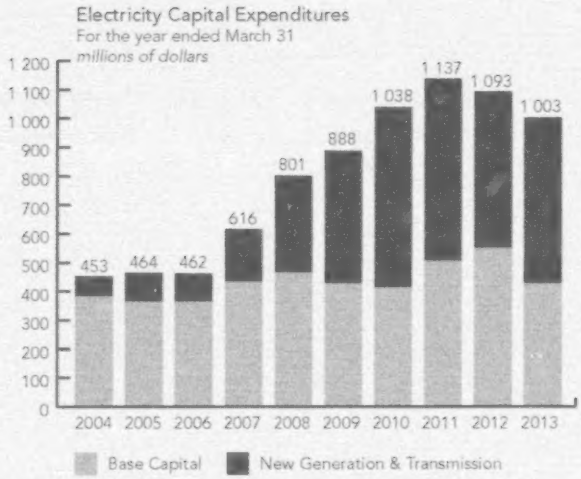

Electricity Expenses
For the year ended March 31, 2013
Operating and administrative 28%
Finance expense 28%
Depreciation and amortization 24%
Fuel and power purchased 8%
Water rentals and assessments 7%
Capital and other taxes 5%



Electricity Capital Expenditures

Expenditures for capital construction totaled $1 003 million in 2012-13 compared to $1 093 million during the previous fiscal year. Capital expenditures for ongoing plant and equipment requirements, referred to as base capital, amounted to $429 million, a decrease of $124 million compared to the previous year. The decrease was attributable to lower expenditures on generation and substation upgrades.

Major new generation and transmission capital expenditures of $574 million included $169 million related to future Keeyask and Conawapa generation facilities, $109 million related to the Bipole III project, $101 million towards the Pointe du Bois Spillway replacement and station rehabilitation, $84 million for the Riel Station, $78 million related to the Wuskwatim Generating Station and transmission line and $28 million for upgrades to the Kelsey Generating Station.



NATURAL GAS OPERATIONS

Centra Gas Manitoba Inc. (Centra) is a wholly-owned subsidiary of Manitoba Hydro. Centra distributes natural gas to 244 768 residential and 25 018 commercial and industrial customers in Manitoba.

Net income in the gas sector was $8 million in 2012-13 compared to a net loss of $6 million in the previous fiscal year. The improved financial performance over the previous year was primarily attributable to increased demand due to colder weather during the winter of 2012-13 compared to warmer weather during the winter of 2011-12.

Natural Gas Revenues

Revenues from the sale and distribution of natural gas during 2012-13 were $329 million, consistent with the previous year. After deducting the cost of gas sold, which is a pass-through cost with no mark-up by Centra, net revenues amounted to $147 million, an increase of $15 million from 2011-12. The increase in net revenue was almost entirely due to colder winter weather than the previous year. Natural gas deliveries were 2 049 million cubic metres in 2012-13 compared to 1 866 million cubic metres in 2011-12.

As directed by the PUB, $3.8 million of revenue from 2012-13 was set aside to continue a program targeted to low-income customers and qualifying seniors on fixed incomes to assist in the replacement of low efficiency furnaces with high efficiency furnaces. At March 31, 2013, there is a remaining balance of $16 million in the Furnace Replacement Program.

Natural Gas Revenues and Deliveries

For the year ended March 31

	2013	2012	% change	2013	2012	% change
	millions of dollars			*millions of cubic metres*		
Residential	174	172	1.2	602	509	18.3
Small general service	25	23	8.7	100	81	23.5
Large general service	95	96	(1.0)	523	440	18.9
Large commercial & industrial	18	20	(10.0)	133	121	9.9
Interruptible	11	12	(8.3)	93	86	8.1
T-service and other	6	6	-	598	629	(4.9)
	329	329	-	2 049	1 866	9.8

Natural Gas Rates

In accordance with Centra's quarterly rate-setting methodology, annualized rates for natural gas supplied to residential customers changed during 2012-13 as follows:

- May 1, 2012	8.6% decrease
- August 1, 2012	2.9% increase
- November 1, 2012	unchanged
- February 1, 2013	unchanged

The change in natural gas rates reflects the fluctuations in pricing for natural gas purchased by Centra. Centra did not apply to the PUB for a general rate increase related to non-gas costs in 2012-13.

Natural Gas Expenses

Expenses attributable to the natural gas operations, excluding cost of gas sold, amounted to $139 million in 2012-13, which was $1 million higher than the previous year. Increases of $2 million in operating and administrative expenses and $1 million in depreciation and amortization were partially offset by decreases of $1 million in each of finance expense and capital and other taxes.

Natural Gas Expenses
For the year ended March 31, 2013
Operating and administrative 46%
Depreciation and amortization 19%
Capital and other taxes 13%
Finance expense 13%
Corporate allocation 9%

Natural Gas Expenses

For the year ended March 31

	2013	2012	% change
	millions of dollars		
Operating and administrative	64	62	3.2
Finance expense	18	19	(5.3)
Depreciation and amortization	27	26	3.8
Capital and other taxes	18	19	(5.3)
Corporate allocation	12	12	-
	139	138	0.7

Centra purchased 493 million cubic metres of natural gas based on monthly Alberta indexed pricing, 235 million cubic metres under daily Alberta indexed pricing and 394 million cubic meters from a number of other supply sources. Centra also delivered natural gas on behalf of brokers to 17 418 (2012 – 17 965) customers receiving natural gas under Direct Purchase arrangements.

Centra offers a fixed rate service for primary natural gas supply which allows customers to fix their natural gas rates for terms of up to five years. The fixed rate service is offered to residential and commercial customers. At March 31, 2013 there were 396 customers (2012 – 434 customers) on Centra's fixed rate service. Total natural gas deliveries under this service were 6.0 million cubic metres (2012 – 4.0 million cubic metres).

Natural Gas Capital Expenditures

Capital expenditures in the natural gas sector were $34 million in 2012-13 compared to $31 million in the previous fiscal year. The capital expenditure program relates to new business, system improvement and other expenditures to meet the needs of the natural gas customers.

SUBSIDIARIES

In addition to Centra, Manitoba Hydro has the following wholly-owned subsidiaries involved in energy-related business enterprises:

Manitoba Hydro International Ltd. (MHI) provides professional consulting, operations, maintenance and project management services to energy sectors world-wide, either exclusively or through partnerships. MHI also provides research and development services and products to the electrical power system industry.

Manitoba Hydro Utility Services Ltd. (MHUS) provides meter reading and related services to Manitoba Hydro, Centra and other utilities.

The following table provides a summary of the financial results of the subsidiary companies excluding Centra for the fiscal year ended March 31, 2013 compared to the previous fiscal year:

	MHI		MHUS		Other		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	millions of dollars							
Revenues	43.2	31.8	4.6	5.5	1.1	0.8	48.9	38.1
Expenses	38.2	27.9	4.6	5.1	0.2	0.2	43.0	33.2
Net income	5.0	3.9	-	0.4	0.9	0.6	5.9	4.9

WUSKWATIM POWER LIMITED PARTNERSHIP

The WPLP was formed to carry on the business of developing, owning and operating the Wuskwatim Generating Station and related works, excluding the transmission facilities but including all dams, dikes, channels, excavations and roads. The WPLP has two limited partners, Manitoba Hydro and TPC, which is owned beneficially by NCN, and a General Partner which is a wholly-owned subsidiary of Manitoba Hydro. The Wuskwatim Generating Station is located at Taskinigahp Falls on the Burntwood River approximately 45 kilometres southwest of Thompson, Manitoba.

During 2012-13, power production started at the Wuskwatim Generating Station. The first of three generating units was placed in service on June 22, 2012, the second unit on August 22, 2012 and the third unit on October 6, 2012. The WPLP reported a net loss for 2012-13 of $40 million which was consistent with expectations for the first year of operation. Manitoba Hydro's 67% share of the loss was $27 million and TPC's 33% share of the loss was $13 million. At March 31, 2013 total assets for Wuskwatim generation and transmission facilities amounted to $1.6 billion (2012 – $1.6 billion).

CORPORATE GOALS

Manitoba Hydro has the following Corporate goals:

Improve safety in the workplace
Achieving an accident-free workplace is Manitoba Hydro's most important goal and a critical component of all Corporate activities. Manitoba Hydro is committed to continuously improving its safety performance and is currently focusing on strategies that will eliminate all high-risk incidents and further instill a safety and health culture throughout the Corporation.

Provide exceptional customer value
Manitoba Hydro continually strives to provide exceptional value to customers through low energy rates, a safe and secure system, high reliability and superior service.

Strengthen working relationships with Aboriginal communities
Manitoba Hydro is one of the leading utilities in Canada with respect to Aboriginal representation in its workforce. The Corporation continues to place emphasis on building enduring working relationships with Aboriginal communities through such measures as pre-employment training programs, purchasing and employment preferences, support for Aboriginal businesses and recognition of cultural requirements in the workplace.

Maintain financial strength
Maintaining the financial strength of the Corporation will ensure that energy rates remain low, stable and predictable. A strong financial structure also assists in protecting the Corporation and its customers from a variety of risks.

Extend and protect access to North American energy markets and profitable export sales
The ability to sell surplus energy into export markets has contributed significantly to low domestic rates in Manitoba. It is important that access to profitable export markets be maintained and expanded.

Attract, develop and retain a highly skilled and motivated workforce that reflects the demographics of Manitoba
In the increasingly competitive marketplace for talented people, Manitoba Hydro must continue to attract and retain the very best in human resources while striving to attain its diversity targets.

Protect the environment in everything that we do
Manitoba Hydro is dedicated to upholding the principles of sustainable development and to preventing or mitigating any adverse impacts from our operations. Through careful management of new and existing facilities and infrastructure, Manitoba Hydro continues to operate in the most environmentally responsible manner.

Promote cost effective energy conservation and innovation
Manitoba Hydro is recognized as a Canadian leader in promoting the wise and efficient use of energy through its Power Smart brand and continues to encourage research and development of emerging energy technologies.

Be recognized as an outstanding corporate citizen and a driver of economic development in Manitoba
Manitoba Hydro and its employees continue to take leadership roles in community activities and programs throughout the province. The Corporation also works with economic development agencies to maximize wealth and jobs in Manitoba and works with customers to minimize their energy costs.

REPORT ON PERFORMANCE

The following table summarizes the progress the Corporation is making towards achieving its Corporate goals:

Goal	Measure	Target / Challenge	2013 Performance
Safety in the Workplace	High-risk incidents	0	0
	Accident severity rate (days per 200 000 hours worked)	<12	9.7
	Accident frequency rate (accidents per 200 000 hours worked)	<0.6	0.7
Exceptional Customer Value	Retail electricity rates (overall)	Lowest in North America	Lowest in North America
	System average interruption duration (minutes per year)	<113	175
	Average electric customer outage frequency (outages per year)	<1.4	1.9
	CEA Customer Service Index	Best in Canada	Ranked 2nd
Financial Strength	Debt:Equity Ratio	75:25	75:25
	Interest Coverage	>1.20	1.15
	Capital Coverage	>1.20	1.25
Diverse Work Force	Women	26%	25%
	Aboriginal – Corporate	16%	17%
	Aboriginal – Northern	45%	42%
	Persons with disabilities	6%	10%
	Visible minorities	7%	7%
Protecting the Environment	% Generation from renewable resources	>99%	99.9%
Sustainability & Energy Conservation	Electric energy saved per year	2 069 GWh	2 187 GWh
Corporate Citizenship & Economic Development	CEA Public Attitude Index	≥8.5	7.8
	Corporate Citizenship Index	≥8.2	7.6

RISK MANAGEMENT

Manitoba Hydro faces a number of risks in the fulfillment of its mandate. These risks are managed through a systematic, proactive and integrated process designed to balance the objectives of:

- identifying threats that affect the achievement of the Corporation's mission and mandate;
- mitigating the consequences of negative occurrences; and
- taking advantage of opportunities to provide benefits to all stakeholders.

Most risk management efforts are focused on preventing or reducing the likelihood of the occurrence of negative events. However, the Corporation also has plans in place to reduce the impacts should a negative event occur. These plans are under continual assessment. In addition, all safety and reliability risks are managed through strict adherence to design, construction and operating standards and practices together with extensive public education and employee training programs. A comprehensive Emergency Response Program is also in place to ensure an effective and coordinated response to possible emergencies or natural disasters.

The financial and operational risks associated with the management of an integrated electricity and natural gas utility are significant. These risks include the impacts of weather on supply and demand, price and market uncertainties, interest, inflation and foreign exchange rates, skilled labour availability and costs, aging infrastructure maintenance and replacement, increasing regulatory, environmental and legal requirements and accelerated technological change. Manitoba Hydro manages these risks through an integrated control framework and through the maintenance of an adequate level of retained earnings.

Manitoba Hydro's major risks are quantified in the following table:

Risk	Potential Financial Impact
Infrastructure	Greater than $2.0 billion
Drought	Greater than $1.6 billion for a five year drought
Loss of export market	Greater than 30% of electricity revenue
Interest rates	Approximately $700 million for a 1% change over 10 years

STATUS OF TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In September 2012 and February 2013, the Canadian Accounting Standards Board (AcSB) announced additional optional one-year deferrals of IFRS for qualifying entities with rate-regulated activities. Manitoba Hydro meets the AcSB criteria for deferral and intends to adopt IFRS for its 2015-16 fiscal year with comparative information presented for the 2014-15 fiscal year.

The Corporation expects the transition to IFRS to impact accounting, financial reporting and related information systems. To facilitate the conversion process, Manitoba Hydro has assembled a project team, engaged external advisors and established a formal project governance structure with the formation of a Steering Committee consisting of an executive sponsor and senior levels of management from throughout the Corporation. Regular reporting of the project status is provided to the Audit Committee of the Manitoba Hydro-Electric Board.

Although IFRS and Canadian Generally Accepted Accounting Principles (GAAP) are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact Manitoba Hydro include property, plant and equipment, regulatory assets and liabilities, employee benefits and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

On April 25, 2013, the International Accounting Standards Board (IASB) issued the Exposure Draft - Regulatory Deferral Accounts. The Exposure Draft proposes an interim standard intended to allow entities that are first–time adopters of IFRS and that currently recognize regulatory deferral accounts (i.e. regulatory assets and liabilities) in accordance with their existing GAAP, to continue to do so upon transition. Under the proposed interim standard, entities will be able to avoid making major changes in accounting for regulatory assets and liabilities on transition to IFRS until the IASB can provide more guidance through its Rate-regulated Activities project. Comments on the Exposure Draft are due in September of 2013 and the IASB is not expected to make a decision on the proposed interim standard until December of 2013.

At this time, it is uncertain as to the final position the IASB will take as part of its Rate-regulated Activities project. In addition, the IASB has a number of on-going projects on its agenda which may result in changes to existing IFRS prior to the commencement of Manitoba Hydro's 2015-16 fiscal year. Manitoba Hydro continues to monitor and evaluate the impacts of current and prospective IFRS on its accounting policies, financial position and business activities.

OUTLOOK

Manitoba Hydro ended fiscal 2012-13 with above average water storage levels. Inflows from spring runoff for 2013-14 are expected to be average, particularly in the Red, Assiniboine and Saskatchewan River basins. Manitoba Hydro experienced some year-over-year recovery to export market prices through the fourth quarter of 2012-13 largely a result of higher natural gas prices and improved economic conditions in the U.S. Based on current conditions and considering the impact on expenses of the Wuskwatim Generating Station being in-service for a full year, Manitoba Hydro expects its net income for 2013-14 to be below the level experienced in 2012-13.

Manitoba Hydro is actively planning a number of major projects such as the Bipole III transmission line and Keeyask and Conawapa generating stations in order to further improve electrical system reliability, to meet the future energy needs of the province and to take advantage of export opportunities. These plans will involve the investment of approximately $20 billion over the next 10 years which will generate significant returns for Manitobans over ensuing decades. Construction of the new generating stations will only proceed once firm export sales contracts are secured, extensive consultations with stakeholders and First Nations are concluded and environmental and regulatory approvals are received.

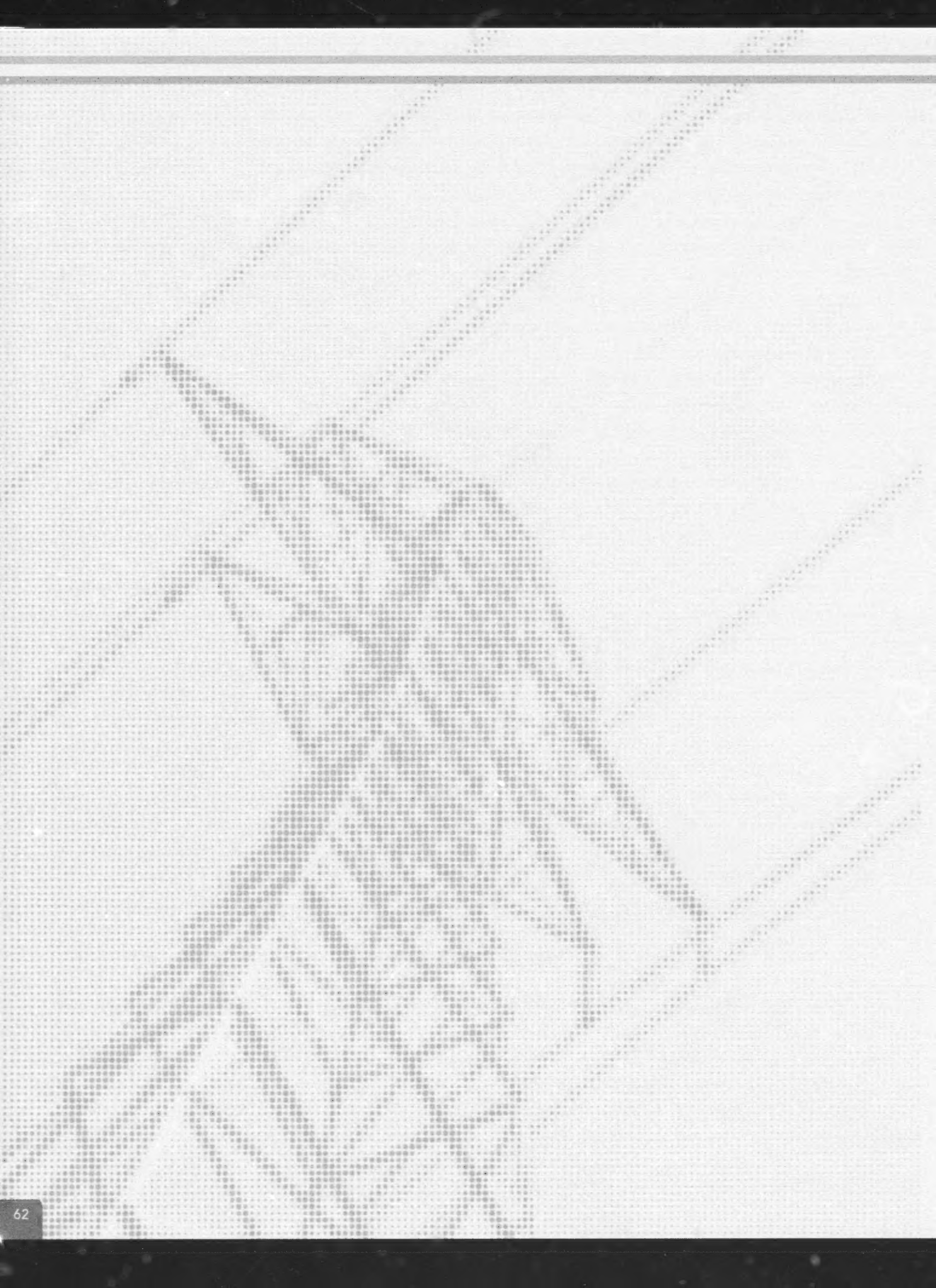
The Bipole III project involves the construction of a new 500-kV high voltage direct current transmission line along with new converter stations, one in the north and another at the southern receiving end. The project is required to improve system reliability and will also provide additional capacity for delivery of existing and proposed hydro-electric generation to southern markets. The Environmental Impact Statement related to Bipole III was filed with Manitoba Conservation in December 2011. Public hearings on the project by the Clean Environment Commission began in the fall of 2012 and concluded in early 2013 with an environmental licensing decision pending. Construction is scheduled to begin, pending regulatory approval, in the winter of 2013-14 with a scheduled in-service date of late 2017.

The proposed 695-megawatt Keeyask Generating Station would be built on the Nelson River, 30 kilometres west of Gillam, within the Split Lake Resource Management Area, in partnership with four Keeyask Cree Nations (KCN) – Tataskweyak Cree Nation, War Lake First Nation, Fox Lake Cree Nation and York Factory First Nation. A Keeyask Infrastructure Agreement was negotiated between Manitoba Hydro and KCN enabling an early start to the construction of the access road to the site and the construction camp. The project description was filed with the federal Major Projects Management Office in July 2011 and the Environmental Act Proposal form was filed with Manitoba Conservation in December 2011. The application for the Keeyask Project Interim Water Power License was submitted to the Province in early 2012. The Environmental Impact Statement was filed in July 2012. The Manitoba Clean Environment Commission will hold hearings commencing in late September 2013. Work is progressing on maintaining the current regulatory schedule, with a construction start date of June 2014 and an expected in-service date of 2019.

The proposed 1 485-megawatt Conawapa Generating Station would be built approximately 90 kilometres downstream of Gillam and 28 kilometres downstream of the Limestone Generating Station, in the Fox Lake Resource Management Area on the Lower Nelson River. A formal planning process is underway with the communities in the vicinity of the project, including Fox Lake Cree Nation, York Factory First Nation, Tataskweyak Cree Nation, War Lake First Nation and Shamattawa First Nation. Activities are progressing to complete the Project Description, preliminary engineering and the environmental assessment and discussions on Aboriginal participation are beginning. The Environmental Impact Statement is scheduled to be filed by the end of 2014 with the potential start of construction in December 2016, which would support an earliest in-service date of 2025.

In accordance with Manitoba Order in Council No. 128/2013, a Needs For and Alternatives To review will be undertaken by the PUB of the economic justification for Manitoba Hydro's proposed development plan including Keeyask, Conawapa, a new Manitoba to U.S. transmission interconnection and new long-term export sales. The process will start with a filing by Manitoba Hydro in August 2013 with public hearings expected to commence in early 2014.

Manitoba Hydro's Power Smart Program continues to serve residential, commercial and industrial customers with a total of 28 programs and initiatives. The highly successful Power Smart Program continues to encourage all customer sectors to use energy more efficiently. These efforts work towards making permanent shifts in the Manitoba marketplace for long-term adoption of energy efficient technologies and practices. The Power Smart Program is projected to achieve electric energy and demand savings of 3 113 GWh per year and 846 MW by 2027-28. Natural gas savings are projected to be 126 million cubic metres per year by 2027-28. The overall Power Smart Program is expected to reduce greenhouse gas emissions by over 2.3 million tonnes annually while providing Manitobans with lower energy bills from the installation of energy savings measures and the continued sale of the conserved energy on export markets.



MANAGEMENT REPORT

For the year ended March 31, 2013

The accompanying consolidated financial statements and all additional information contained in the Annual Report are the responsibility of management and have been approved by the Manitoba Hydro-Electric Board. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 26, 2013. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management maintains internal controls to provide reasonable assurance that the assets of the Corporation are properly safeguarded and that the financial information is reliable, timely and accurate. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its finding to management and to the Audit Committee of the Board.

The responsibility of the external auditors, Ernst & Young LLP, is to express an independent, professional opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board is comprised of five members, the majority of whom are members of the Manitoba Hydro-Electric Board. The Audit Committee of the Board meets with the external auditors, representatives of the Auditor General's Office, the internal auditors and management to satisfy itself that each group has properly discharged its respective responsibility and to review the consolidated financial statements before recommending approval by the Board. The internal and external auditors have full and unrestricted access to the Audit Committee, with or without the presence of management. The Board reviews the Annual Report in advance of its release and approves its content and authorizes its publication.

On behalf of management:

Scott A. Thomson, CA
President and Chief Executive Officer

Darren B. Rainkie, CA, CBV
Vice-President, Finance and Regulatory

Winnipeg, Canada
June 26, 2013

AUDITORS' REPORT

To the Board of Directors of
Manitoba Hydro-Electric Board

We have audited the accompanying consolidated financial statements of Manitoba Hydro-Electric Board, which comprise the consolidated balance sheet as at March 31, 2013 and the consolidated statements of income, comprehensive income, accumulated other comprehensive income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Manitoba Hydro-Electric Board as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
June 26, 2013

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31

		Notes	2013	2012
				millions of dollars
Revenues				
Electric	Manitoba		1 380	1 219
	Extraprovincial	3	353	363
Gas	Commodity		182	197
	Distribution		147	132
			2 062	1 911
Cost of gas sold			182	197
			1 880	1 714
Expenses				
Operating and administrative			533	481
Finance expense		4	489	423
Depreciation and amortization			423	381
Water rentals and assessments		5	118	119
Fuel and power purchased			133	146
Capital and other taxes			105	103
			1 801	1 653
Net income before non-controlling interest			79	61
Net loss attributable to non-controlling interest		22	13	-
Net Income			92	61

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	2013	2012
		millions of dollars
Retained earnings, beginning of year	2 450	2 389
Net income	92	61
Retained earnings, end of year	2 542	2 450

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at March 31

	Notes	2013	2012
			millions of dollars
Assets			
Property, Plant and Equipment			
In service	6	15 793	13 631
Less accumulated depreciation	6	5 252	4 984
		10 541	8 647
Construction in progress	6	1 967	3 150
		12 508	11 797
Current Assets			
Cash and cash equivalents		32	50
Accounts receivable and accrued revenue		421	328
Interest receivable		4	4
Materials and supplies, at average cost	7	93	106
		550	488
Other Assets			
Sinking fund investments	8	352	372
Goodwill and intangible assets	9	276	268
Regulated assets	10	306	310
Other long-term assets	11	550	556
		1 484	1 506
		14 542	13 791

Approved on behalf of the Board:

William C. Fraser, FCA
Chair of the Board

James Husiak, CA
Chair of the Audit Committee

	Notes	2013	2012
			millions of dollars
Liabilities and Equity			
Long-Term Debt			
Long-term debt net of sinking fund investments		8 977	8 729
Sinking fund investments shown as assets	8	352	372
	12	9 329	9 101
Current Liabilities			
Accounts payable and accrued liabilities	13	421	361
Accrued interest		103	104
Current portion of long-term debt	12	656	281
		1 180	746
Other Liabilities			
Asset purchase obligation	14	207	207
Other long-term liabilities	15	550	542
		757	749
Contributions in Aid of Construction		340	318
Equity			
Retained earnings		2 542	2 450
Accumulated other comprehensive income		299	327
		2 841	2 777
Non-controlling interest	22	95	100
		2 936	2 877
		14 542	13 791

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

	2013	2012
		millions of dollars
Operating Activities		
Cash receipts from customers	2 015	2 008
Cash paid to suppliers and employees	(981)	(1 058)
Interest paid	(489)	(418)
Interest received	44	35
Cash provided by operating activities	589	567
Financing Activities		
Proceeds from long-term debt	807	698
Sinking fund withdrawals	129	23
Retirement of long-term debt	(242)	(25)
Other	(59)	29
Cash provided by financing activities	635	725
Investing Activities		
Property, plant and equipment, net of contributions	(1 037)	(1 124)
Sinking fund payments and deposits	(107)	(98)
Other	(98)	(90)
Cash used for investing activities	(1 242)	(1 312)
Net decrease in cash and cash equivalents	(18)	(20)
Cash and cash equivalents, beginning of year	50	70
Cash and cash equivalents, end of year	32	50

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31

	2013	2012
	millions of dollars	
Net Income	92	61
Other Comprehensive Loss		
Unrealized foreign exchange losses on debt in cash flow hedges	(31)	(54)
Realized foreign exchange losses on debt in cash flow hedges reclassified to income	2	-
Unrealized fair value gains on available-for-sale U.S. sinking fund investments	1	14
	(28)	(40)
Comprehensive Income	64	21

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME

For the year ended March 31

	2013	2012
	millions of dollars	
Balance, beginning of year	327	367
Other comprehensive loss	(28)	(40)
Balance, end of year	299	327

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization - The Manitoba Hydro-Electric Board and the Manitoba Power Commission were amalgamated in 1961 by enactment of *The Manitoba Hydro Act* to form a Crown Corporation in the Province of Manitoba named Manitoba Hydro (the Corporation). Manitoba Hydro's mandate is to provide for the continuance of a supply of energy adequate for the needs of the province and to engage in and to promote economy and efficiency in the development, generation, transmission, distribution, supply and end-use of energy. The head office of the Corporation is located at 360 Portage Avenue, Winnipeg, Manitoba.

Basis of Presentation - These consolidated financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as set forth in Part V of the Canadian Institute of Chartered Accountants (CICA) Accounting Handbook - Pre-Changeover Accounting Standards and include the significant accounting policies described hereafter.

Consolidation - These consolidated financial statements include the accounts of Manitoba Hydro and its wholly-owned subsidiaries including Centra Gas Manitoba Inc. (Centra), Minell Pipelines Ltd., Manitoba Hydro International Ltd. (MHI), Manitoba Hydro Utility Services Ltd. (MHUS) and Teshmont LP Holdings Ltd. (which has a 40% ownership interest in the Teshmont Consultants Limited Partnership). These consolidated financial statements also include Manitoba Hydro's 67% ownership interest in the Wuskwatim Power Limited Partnership (WPLP) and its 75% ownership in the Keeyask Hydropower Limited Partnership. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

Rate-Regulated Accounting - The prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (PUB). The rate-setting process is designed such that rates charged to electricity and natural gas customers recover costs incurred by Manitoba Hydro in providing electricity and gas service. As permitted under Canadian GAAP, the Corporation applies standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of Canadian GAAP. FASB Accounting Standards Codification Section 980 – Regulated Operations, represents the standard Manitoba Hydro applies for rate-regulated accounting. These accounting policies differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise have been included in the determination of net income in the year that the cost or credit is incurred. Manitoba Hydro refers to such deferred costs or credits as regulated assets (Note 10) or regulated liabilities (Note 13) which are generally comprised of the following:

- Power Smart programs - The costs of the Corporation's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 10 years.

- Site restoration costs - Site restoration costs, other than those for which an asset retirement obligation has been established, are deferred and amortized on a straight-line basis over a period of 15 years.

- Deferred taxes - Taxes paid by Centra (July 1999) as a result of its change to non-taxable status on acquisition by Manitoba Hydro, have been deferred and are being amortized on a straight-line basis over a period of 30 years.

- Acquisition costs - Costs associated with the acquisition of Centra (July 1999) and Winnipeg Hydro (September 2002) have been deferred and are being amortized on a straight-line basis over a period of 30 years.

- Purchased gas variance accounts - Accounts are maintained to recover/refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is carried as an account receivable/payable and recovered or refunded in future rates.

- Regulatory costs - Costs associated with regulatory hearings are deferred and amortized on a straight-line basis over periods up to 5 years.

Manitoba Hydro's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Interest is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, interest allocated to construction ceases and depreciation and interest charged to operations commences.

b) **Depreciation**

Depreciation is provided on a straight-line remaining-life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Generation	- Hydraulic	20 - 125 years
	- Thermal	5 - 65 years
Transmission lines		10 - 85 years
Substations		15 - 65 years
Distribution		10 - 75 years
Other		5 - 100 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by the Corporation.

c) **Asset Retirement Obligations**
Asset retirement obligations are measured initially at fair value in the period in which the obligations are incurred, provided that a reasonable estimate of the fair value can be made. The present value of the estimated retirement cost is added to the carrying amount of the related asset. In subsequent periods, the estimated retirement cost is amortized over the useful life of the asset and the carrying value of the liability is increased to recognize increases in the liability's present value with the passage of time.

d) **Materials and Supplies**
Materials and supplies are valued at the lower of average cost or net realizable value.

e) **Contributions in Aid of Construction**
Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

f) **Revenues**
Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

g) **Cost of Gas Sold**
Cost of natural gas sold is recorded at the same rates charged to customers.

h) **Employee Future Benefits**
Manitoba Hydro provides future benefits, including pension and other post-retirement benefits, to both existing and retired employees. Pension plans include the Civil Service Superannuation Board (CSSB) plan, the Enhanced Hydro Benefit Plan (EHBP), three Centra curtailed pension plans and the Winnipeg Civic Employee Benefits Program (WCEBP). MHUS is a matching employer under the Civil Service Superannuation Act and MHI sponsors a defined contribution group registered retirement plan.

The costs and obligations of pension and other post-retirement benefits are calculated by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives, inflation rates and expected rate of return on plan assets. Pension expense is comprised of the cost of pension benefits provided during the year, the amortization of past service benefits, experience gains and losses and expected returns on fund assets net of interest on the obligation. The amount of expected returns on fund assets is based on market related values using a five-year moving average. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the consolidated financial statements as assets or liabilities.

The Corporation utilizes the "corridor method" of amortizing actuarial gains and losses. The amortization of experience gains and losses is recognized only to the extent that the cumulative unamortized net actuarial gain or loss exceeds 10% of the greater of the accrued benefit obligation and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

Pension and long-term disability expenses pertaining to the former Winnipeg Hydro employees are recognized at the time contributions are made to the WCEBP, which maintains the funds and obligations relating to these employees in its financial records.

Other employee benefits earned by employees include vacation, vested sick leave, severance and a retirement health spending plan. Where applicable, the future costs of these benefits are based on management's best estimates.

i) **Comprehensive Income**

Comprehensive income consists of net income and other comprehensive income (OCI). OCI includes unrealized gains and losses arising from changes in the fair value of available-for-sale assets and changes in the foreign exchange rate for U.S. denominated long-term debt and interest payments in effective cash flow hedging relationships. Such amounts are recorded in accumulated OCI (AOCI) until the criteria for recognition in net income are met.

j) **Financial Instruments**

All financial instruments are measured at fair value on initial recognition as of the trade date. Transaction costs are included in the initial carrying amount of financial instruments. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale or other financial liabilities.

Financial instruments classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with revaluation gains and losses recorded in OCI until the instrument is derecognized or impaired. Translation gains and losses on available-for-sale financial assets in a hedging relationship with financial liabilities are credited or charged to finance expense. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

k) **Foreign Currency Translation**

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates.

Long-term monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Translation gains and losses are credited or charged to finance expense in the current period except for long-term debt obligations in hedging relationships with future export revenues. Translation gains and losses for long-term debt obligations in hedging relationships with future export revenues are recorded in OCI until such time that the hedged export revenues are realized, at which time accumulated exchange gains and losses are credited or charged to finance expense.

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Any exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

l) **Derivatives**

The Corporation does not engage in derivative trading or speculative activities. All derivative instruments are carried at fair value on the consolidated balance sheet with the exception of those that were entered into for the purpose of physical receipt or delivery in accordance with the Corporation's expected normal purchases and sales. Changes in the fair value of derivatives that are not designated in a hedging relationship and do not qualify for the normal purchase and sale exemption are recorded in net income.

m) **Hedges**

The Corporation has designated cash flow and fair value hedges linking financial instruments to specific assets and forecasted transactions. Long-term cash flow hedges have been established between U.S. long-term debt balances and future U.S. export revenues as well as between U.S. interest payments on dual currency bonds and future U.S. export revenues. A fair value hedge relationship has also been established between U.S. long-term debt balances and U.S. sinking fund investments. The Corporation documents the relationship between the hedging instrument and the hedged item and assesses at inception, and on an ongoing basis, the effectiveness of the hedging relationship.

n) **Debt Discounts and Premiums**

Debt discounts and premiums are amortized to finance expense using the effective interest method.

o) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

p) **Goodwill and Intangible Assets**

Goodwill represents the amount of the Corporation's investments in Centra and Winnipeg Hydro over and above the fair market value of the identified net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred. An impairment would be recognized if it was determined that the carrying value of the Corporation's investments in Centra or Winnipeg Hydro exceeded the present value of the future cash flows from these investments. Should impairment occur, it would be recorded as a charge against operations in the year of impairment.

Intangible assets include computer software, application development costs, land easements and transmission rights. Intangible assets are recorded at cost. The cost of computer software and application development includes software, direct labour, materials, contracted services, a proportionate share of overhead costs and interest during development applied at the average cost of debt. Intangible assets with finite useful lives are amortized over their useful lives on a straight-line basis. The expected useful lives are as follows:

Computer software and application development	5 – 10 years
Land easements	75 years

The estimated service lives of intangible assets are based upon depreciation studies conducted periodically by the Corporation. The transmission rights are amortized over the contractual period plus a one-term renewal.

q) **Non-Controlling Interest**

Non-controlling interest represents the outstanding ownership interests attributable to third parties in the Corporation's limited partnerships. The portion of the property, plant and equipment not owned by the Corporation is reflected as non-controlling interest within the equity section of the consolidated balance sheet. The portion of the net income or net loss not attributed to the Corporation is recorded as a non-controlling interest in the consolidated statement of income.

r) **Use of Estimates**

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 2 ACCOUNTING CHANGES

Overhead Rate Estimate

Manitoba Hydro's policy is to include a proportionate share of overhead costs in property, plant and equipment based on overhead rate studies that are performed annually. In 2012, the Corporation revised its overhead rate estimate to remove information technology infrastructure and related support costs and common building depreciation and operating costs. This change in estimate was applied prospectively effective April 1, 2012 and resulted in a $32 million increase in operating and administrative expense in 2012-13.

Future Accounting Changes

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) announced that publicly accountable enterprises would be required to adopt IFRS in place of Canadian GAAP for fiscal years beginning on or after January 1, 2011. In October 2009, the Public Sector Accounting Board confirmed that government business enterprises such as Manitoba Hydro would be required to follow IFRS for periods beginning January 1, 2011.

Although IFRS and Canadian GAAP are premised on a similar conceptual framework, there are a number of differences with respect to recognition, measurement and disclosure. The areas with the highest potential to impact Manitoba Hydro include property, plant and equipment, regulatory assets and liabilities, employee benefits and the transitional requirements upon the adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

In May 2010, the International Accounting Standards Board (IASB) issued the omnibus Improvements to IFRS, which includes an amendment to IFRS 1 for entities with rate-regulated activities. The amendment applies to first-time adopters by offering an optional exemption to use the carrying amount of property, plant and equipment and intangible assets as deemed cost of those assets on the transition date. This exemption eliminates the requirement to retrospectively adjust opening property, plant and equipment and/or intangible asset balances for costs that would otherwise not qualify for capitalization under IFRS. Manitoba Hydro intends to apply this exemption.

In September 2010, the AcSB implemented changes to Part I of the CICA Handbook – International Financial Reporting Standards, allowing qualifying entities with rate-regulated activities to be permitted, but not required, to defer their adoption of IFRS for one year. In March 2012, September 2012 and February 2013, the AcSB announced additional optional one-year deferrals of IFRS for qualifying entities with rate-regulated activities. Manitoba Hydro meets the AcSB criteria for deferral and intends to adopt IFRS for its 2015-16 fiscal year with comparative information presented for the 2014-15 fiscal year.

On April 25, 2013, the IASB issued the Exposure Draft - Regulatory Deferral Accounts. The Exposure Draft proposes an interim standard intended to allow entities that are first-time adopters of IFRS and that currently recognize regulatory deferral accounts (i.e. regulatory assets and liabilities) in accordance with their existing GAAP, to continue to do so upon transition. Under the proposed interim standard, entities will be able to avoid making major changes in accounting for regulatory assets and liabilities on transition to IFRS until the IASB can provide more guidance through its Rate-regulated Activities project. Comments on the Exposure Draft are due in September of 2013 and the IASB is not expected to make a decision on the proposed interim standard until December of 2013.

At this time, it is uncertain as to the final position the IASB will take as part of its Rate-regulated Activities project. In addition, the IASB has a number of on-going projects on its agenda which may result in modifications to existing IFRS prior to the commencement of Manitoba Hydro's 2015-16 fiscal year. Manitoba Hydro continues to monitor and evaluate the impacts of current and prospective IFRS on its accounting policies, financial position and business activities.

NOTE 3 EXTRAPROVINCIAL REVENUES

	2013	2012
	millions of dollars	
United States	312	315
Canada	41	48
	353	363

U.S. extraprovincial revenues were translated into Canadian dollars at exchange rates in effect at the date of the transaction. The average effective exchange rate for the year was $1.00 U.S. = $1.00 Canadian (2012 - $1.00 U.S. = $0.98 Canadian).

NOTE 4 FINANCE EXPENSE

	2013	2012
	millions of dollars	
Interest on debt	636	603
Interest capitalized	(141)	(170)
Investment income	(11)	(13)
Realized foreign exchange losses on debt in cash flow hedges	2	-
Realized losses on revaluation of dual currency bonds	3	3
	489	423

Included in interest on debt is $93 million (2012 - $85 million) related to the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province of Manitoba (2012 - 1.0%).

NOTE 5 WATER RENTALS AND ASSESSMENTS

	2013	2012
	millions of dollars	
Water rentals	111	111
Assessments	7	8
	118	119

Water rentals are paid to the Province of Manitoba for the use of water resources in the operation of the Corporation's hydroelectric generating stations. Water rental rates during the year were $3.34 per MWh (2012 - $3.34 per MWh).

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	In service	Accumulated depreciation	Construction in progress	In service	Accumulated depreciation	Construction in progress
	millions of dollars					
Generation						
Hydraulic	6 645	1 739	1 222	5 188	1 658	2 276
Thermal	480	277	11	475	260	11
Transmission lines	1 024	311	127	855	296	246
Substations	2 977	1 337	489	2 668	1 260	489
Distribution	3 471	1 242	95	3 268	1 193	105
Other	1 196	346	23	1 177	317	23
	15 793	5 252	1 967	13 631	4 984	3 150

During fiscal 2012-13 the 3 units of the Wuskwatim Generating Station and the associated transmission facilities were transferred from construction in progress and placed in-service. The in-service amounts are as follows: generating station - $1 356 million, transmission line - $153 million, substation and other - $174 million.

NOTE 7 MATERIALS AND SUPPLIES

	2013	2012
	millions of dollars	
Materials and supplies	72	65
Natural gas inventory	21	41
	93	106

NOTE 8 SINKING FUND INVESTMENTS

Manitoba Hydro is legislated under *The Manitoba Hydro Act* to make annual sinking fund payments to the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31, and 4% of the balance in the sinking fund at such date. Payments to the sinking fund during the year were $107 million (2012 - $98 million). Income earned on sinking fund investments is included with investment income for the year.

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2013	2012
	millions of dollars	
Canadian investments	58	129
U.S. investments	272	217
Premium on purchase of sinking fund investments	22	26
	352	372

Canadian investments have a weighted average term to maturity of 1 day (2012 - 1 day) and an effective yield to maturity of 1.1% (2012 - 1.0%). U.S. investments have a weighted average term to maturity of 4.0 years (2012 - 6.0 years) and an effective yield to maturity of 3.7% (2012 – 4.8%). U.S. investments are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date, $1.00 U.S. = $1.02 Canadian (2012 - $1.00 U.S. = $1.00 Canadian). The March 31, 2013 balance includes $29 million (2012 - $28 million) of unrealized fair value gains.

NOTE 9 GOODWILL AND INTANGIBLE ASSETS

	2013			2012		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
			millions of dollars			
Intangible Assets						
Computer software and application development	210	105	105	201	93	108
Land easements	72	13	59	64	12	52
Transmission rights	5	1	4	-	-	-
	287	119	168	265	105	160
Goodwill	108	-	108	108	-	108
	395	119	276	373	105	268

The additions to intangible assets for the year totaled $31 million (2012 - $27 million). In total, intangible assets of $23 million (2012 - $20 million) were amortized to operations during the period.

NOTE 10 REGULATED ASSETS

		2013	2012
		millions of dollars	
Power Smart programs	- electric	172	174
	- gas	47	44
Site restoration costs		35	36
Deferred taxes		29	31
Acquisition costs		20	21
Regulatory costs		3	4
		306	310

If the Corporation was not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and net income for 2013 would have been increased by $4 million (2012 – decreased by $1 million).

In total, regulated assets of $46 million (2012 - $43 million) were amortized to operations during the period.

NOTE 11 OTHER LONG-TERM ASSETS

	2013	2012
	millions of dollars	
Advances to St. Joseph Windfarm Inc. (excluding current portion)	227	235
Accrued benefit asset (Note 18)	122	127
Advances to Taskinigahp Power Corporation (Note 22)	105	100
Contract receivables	81	74
Affordable Energy Fund (Note 21)	15	20
	550	556

The St. Joseph wind farm is owned by Pattern Energy and operated by St. Joseph Windfarm Inc. Financing for the wind farm was provided partly by Manitoba Hydro. In accordance with the loan agreement, Manitoba Hydro provided advances of $250 million, which will be repaid with interest over 20 years. In addition, Manitoba Hydro has provided access to a $10 million reserve loan facility. The Corporation signed a 27-year power purchase agreement with St. Joseph Windfarm Inc. in March 2010.

NOTE 12 LONG-TERM DEBT

	2013	2012
	millions of dollars	
Advances from the Province of Manitoba represented by debenture debt of the Province	9 775	9 095
Manitoba HydroBonds	55	136
Manitoba Hydro-Electric Board Bonds	182	194
	10 012	9 425
Less: Current portion of long-term debt	656	281
	9 356	9 144
Adjustment to carrying value of dual currency bonds	(20)	(24)
Debt discounts and premiums	22	9
Transaction costs	(29)	(28)
	9 329	9 101

During the year, the Corporation arranged long-term financing of $807 million (2012 - $698 million). The current year financing was in the form of Provincial Advances with the majority at fixed interest rates.

Included in the current portion of long-term debt are $617 million (2012 - $177 million) of debt maturities and $39 million (2012 - $104 million) of floating-rate Manitoba HydroBonds with maturity dates in 2017. Floating rate Manitoba HydroBonds are redeemable at the option of the holder.

Long-term debt is guaranteed by the Province of Manitoba, with the exception of Manitoba Hydro-Electric Board Bonds in the amount of $73 million (2012 - $74 million) issued for mitigation projects.

Debt principal amounts (excluding adjustments to the carrying value of dual currency bonds, transaction costs, debt discounts and premiums) and related yields are summarized by fiscal years of maturity in the following table:

					2013	2012
	millions of Canadian dollars					
Years of Maturity	Canadian	Cdn. Yields	U.S.	U.S. Yields	Total	Total
2014	312	3.3%	344	4.8%	656	812
2015	109	1.8%	101	2.9%	210	209
2016	313	4.6%	-	-	313	313
2017	308	3.6%	-	-	308	308
2018	331	6.9%	-	-	331	531
	1 373	5.0%	445	4.1%	1 818	2 173
2019-2023	1 737	4.6%	1 625	6.6%	3 362	2 540
2024-2028	450	6.2%	-	-	450	450
2029-2033	1 050	8.7%	-	-	1 050	1 049
2034-2038	1 025	5.0%	-	-	1 025	1 025
2039-2043	1 700	4.5%	-	-	1 700	1 400
2044-2063	607	4.3%	-	-	607	507
	7 942	5.2%	2 070	6.6%	10 012	9 144

Included in the above Canadian maturity amounts are two dual currency bonds with principal amounts repayable in Canadian currency and interest payments denominated in U.S. currency. The first dual currency bond matures in the 2013-14 fiscal year in the amount of $208 million Canadian while the second matures in the 2025-26 fiscal year in the amount of $130 million Canadian.

U.S. debt is translated into Canadian dollars at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.02 Canadian (2012 - $1.00 U.S. = $1.00 Canadian).

NOTE 13 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
	millions of dollars	
Accounts payable and accrued liabilities	397	308
Regulated liabilities		
Purchased gas variance accounts	24	30
Rate reduction	-	23
	421	361

The Corporation passes all costs related to the purchase and transportation of natural gas on to its customers without markup. If the Corporation were not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. If actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have decreased by $6 million (2012 - increased by $17 million).

In Order 5/12 dated January 17, 2012, the PUB had directed that the 2.9% electricity rate increase previously approved on an interim basis effective April 1, 2010 be reduced to 1.9% and that the associated revenues were to be set aside as a regulatory deferral until further direction was provided by the PUB. The cumulative impact of the 1.0% rate reduction for the 2010-11 and 2011-12 fiscal years was recorded as a reduction to revenues of $23 million in 2011-12 and reflected as a regulatory deferral. In Order 43/13 dated April 26, 2013, the PUB approved the Corporation's application to reinstate the 1.0% rate deferral as revenue in the 2012-13 fiscal year and as a result the balance in the deferral account as at March 31, 2013 is nil.

NOTE 14 ASSET PURCHASE OBLIGATION

Effective September 3, 2002, the Corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The asset purchase obligation represents the net present value of payments to the City of Winnipeg of $16 million per annum in perpetuity.

NOTE 15 OTHER LONG-TERM LIABILITIES

	2013	2012
	millions of dollars	
Mitigation liability (Note 20)	235	251
Accrued benefit liability (Note 18)	174	156
Refundable advances from customers	96	87
Affordable Energy Fund (Note 21)	15	20
Transmission development fund	15	16
Asset retirement obligations	9	9
Other	6	3
	550	542

The Corporation recorded a liability for the transmission development fund for both the Wuskwatim transmission line and the Herblet Lake transmission line as outlined in the Wuskwatim Project Development Agreement. These funds will be used for community development purposes by eligible First Nations and small or remote northern communities in the vicinity of the transmission lines.

Asset retirement obligations continue to be recognized for the future decommissioning of the Brandon thermal generating station and for the partial decommissioning of the Pointe du Bois generating station spillway. The Corporation estimates the undiscounted cash flows required to settle the asset retirement obligations are approximately $17 million (2012 - $19 million), $15 million (2012 - $15 million) of which is expected to be incurred in 2024 to decommission the Brandon thermal generating station and $2 million (2012 - $4 million) is expected to be incurred by March 2015 for the partial decommissioning of the Pointe du Bois generating station spillway. No funds are being set aside to settle the asset retirement obligations.

NOTE 16 FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Corporation's non-derivative financial instruments at March 31 were as follows:

	2013		2012	
Financial Instruments	Carrying value	Fair value	Carrying value	Fair value
	millions of dollars			
Held-for-trading				
Cash and cash equivalents	32	32	50	50
Loans and receivables				
Accounts receivable and accrued revenue	421	421	328	328
Interest receivable	4	4	4	4
Available-for-sale				
Sinking fund investments	352	352	372	372
Other financial liabilities				
Long-term debt (including current portion)	9 985	12 335	9 382	11 712
Accounts payable and accrued liabilities	421	421	361	361
Accrued interest	103	103	104	104
Asset purchase obligation	207	343	207	340

The fair value measurement of financial instruments is classified in accordance with a hierarchy of three levels, based on the type of inputs used in making these measurements:

Level 1 - Quoted prices in active markets for identical assets and liabilities;
Level 2 - Inputs other than quoted prices that are observable in active markets for the asset or liability; and
Level 3 - Inputs for the asset or liability that are not based on observable market data.

Financial instrument measurements are Level 1 measurements with the exception of the long-term debt and the asset purchase obligation that are Level 2 measurements and certain derivative instruments of nominal value associated with wholesale power marketing activities that are Level 3 measurements. Fair value Level 2 measurements are derived from quoted market yields at the close of business on the consolidated balance sheet date for similar instruments available in the capital market. Level 3 measurements are based on internally developed valuation models which are consistent with valuation models developed by other market participants in the wholesale power markets. The carrying values of all other financial assets and liabilities approximate their fair values.

Financial Risks

During the normal course of business, Manitoba Hydro is exposed to a number of financial risks including credit and liquidity risks and market risk resulting from fluctuations in foreign currency, interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by the Corporation and its subsidiaries, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed and reviewed by the Manitoba Hydro-Electric Board to ensure the adequacy of the risk management framework in relation to the risks faced by the Corporation. The nature of the financial risks and Manitoba Hydro's strategy for managing these risks has not changed significantly from the prior year.

a) **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Manitoba Hydro is exposed to credit risk related to sinking fund investments, short-term investments and pension fund investments. The Corporation limits its exposure to credit risk by only investing in government-guaranteed bonds, highly rated investments and well-diversified investment portfolios.

The Corporation is also exposed to credit risk related to domestic and export energy sales. Credit risk related to domestic sales is mitigated by the large and diversified electric and gas customer base. Credit risk in the export power market is mitigated by establishing credit requirements, conducting standard credit reviews of all counterparties and setting and monitoring exposure limits for each of these counterparties. Letters of credit and netting provisions are also in place to further mitigate credit risk. The maximum exposure to credit risk related to domestic and export energy sales is its fair value.

The value of the Corporation's aged accounts receivable and related bad debt provisions are presented in the following table:

	Manitoba	Extraprovincial	2013 Total	2012 Total
		millions of dollars		
Under 30 days	315	27	342	260
31 to 60 days	25	-	25	14
61 to 90 days	8	-	8	9
Over 90 days	26	-	26	28
	374	27	401	311
Provision at end of period	(9)	-	(9)	(8)
Total accounts receivable	365	27	392	303

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged receivables that are considered uncollectible.

To mitigate credit risk related to the use of natural gas derivative instruments, the Corporation adheres to well established credit exposure limits with institutions that possess a minimum credit rating of 'A' from recognized bond rating agencies or provide a parental guarantee from an 'A' rated parent company. The Corporation's maximum exposure to credit risk related to its derivative counterparties is equal to the positive fair value of its financial derivatives.

b) **Liquidity Risk**

Liquidity risk refers to the risk that Manitoba Hydro will not be able to meet its financial obligations as they come due. The Corporation meets its financial obligations when due through cash generated from operations, short-term borrowings, long-term borrowings advanced from the Province of Manitoba and sinking fund withdrawals.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative liabilities as at the balance sheet date:

	Carrying value	2014	2015	2016	2017	2018	2019 and thereafter
				millions of dollars			
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	421	421	-	-	-	-	-
Asset purchase obligation	207	16	16	16	16	16	16*
Long-term debt**	10 088	1 293	822	932	916	908	14 719
		1 730	838	948	932	924	14 719
Derivative financial liabilities							
Commodity derivatives							
Fixed price swap contracts	-	-	-	-	-	-	-
		-	-	-	-	-	-
		1 730	838	948	932	924	14 719

*per year in perpetuity

**including current portion and interest payments

c) **Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Manitoba Hydro is exposed to three types of market risk: foreign exchange risk, interest rate risk and commodity price risk associated with the price of electricity and natural gas. Manitoba Hydro continually monitors its exposure to these risks and may use hedges or derivative contracts to manage these risks.

i. Foreign Exchange Risk

Manitoba Hydro has exposure to U.S. dollar foreign exchange rate fluctuations primarily through the sale and purchase of electricity in the U.S. and through borrowing in U.S. markets. This exposure is managed through a long-term natural hedge between U.S. dollar cash inflows from export revenues and U.S. dollar cash outflows for long-term coupon and principal payments.

To mitigate annual net income impacts due to foreign exchange rate fluctuations, long-term cash flow hedges have been established between U.S. long-term debt balances and future U.S. export revenues as well as between U.S. interest payments on dual currency bonds and future U.S. export revenues. Accordingly, translation gains and losses for U.S. long-term debt obligations in effective hedging relationships with future export revenues, are recognized in other comprehensive income until future hedged U.S. export revenues are realized, at which time the associated gains or losses in accumulated other comprehensive income are recognized in net income. For the year ended March 31, 2013, unrealized foreign exchange translation losses of $31 million (2012 - $54 million losses) were recognized in other comprehensive income and $2 million net losses (2012 - nil) were reclassified from other comprehensive income into net income.

Manitoba Hydro also has a fair value hedging relationship between U.S. long-term debt balances and U.S. sinking fund investments. Offsetting foreign exchange translation gains and losses on these items are recognized in net income.

In addition to natural hedging relationships, cross currency swap arrangements transacted by the Province of Manitoba on the Corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize on favourable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such transactions effectively amend the terms of the original debt obligation with the Province of Manitoba with the swapped debt arrangement.

As at March 31, 2013, a change in the Canadian dollar of plus (minus) $0.10 relative to the U.S. dollar would decrease (increase) net income by $0.4 million (2012 - $0.2 million), while other comprehensive income would increase (decrease) by $177 million (2012 - $182 million).

ii. Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Manitoba Hydro is exposed to interest rate risk associated with temporary investments, floating rate long-term debt and fixed rate long-term debt maturing within 12 months, less sinking fund withdrawals, offset by the change in interest capitalization. As at March 31, 2013, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $15 million (2012 - $10 million), with no impact to other comprehensive income.

Interest rate swap agreements transacted by the Province of Manitoba on the Corporation's behalf are utilized to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure and related overall cost of borrowing. Interest rate swap agreements represent an agreement between two parties to periodically exchange payments of interest without the exchange of the principal amount upon which payments are based. The Province of Manitoba may also enter into forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, the terms of the debt advanced by the Province of Manitoba to the Corporation are amended by the swap.

iii. Commodity Price Risk

The Corporation is exposed to electricity price risk that results from volatility of market prices and natural gas price risk through its purchase of gas for delivery to customers throughout Manitoba. The Corporation mitigates commodity price risk through its limited use of derivative financial instruments restricted to contracts for differences and natural gas price swaps. Manitoba Hydro does not use derivative contracts for trading or speculative purposes.

The Corporation has entered into natural gas price swaps until July 2016 to purchase 231 510 gigajoules of natural gas at a weighted average fixed price of $5.12/GJ. The weighted average forward price of the swaps per AECO at March 31, 2013 was $3.67/GJ. These contracts are reported as derivatives and carried at fair value on the balance sheet.

The unrealized fair value gains (losses) of financial derivative contracts as at March 31 are as follows:

	2013	2012
	millions of dollars	
Fixed price swap contracts	-	(1)
Contracts for differences	-	1

Fair values of price swaps are calculated using the monthly forward AECO price as reported by the Natural Gas Exchange as at March 31, 2013.

Fair values of contracts for differences are calculated using the monthly forward electricity prices at pricing points specified in the contracts.

NOTE 17 CAPITAL MANAGEMENT

Manitoba Hydro manages its capital structure to ensure that there is sufficient equity to absorb the financial effects of adverse circumstances and to ensure continued access to stable low-cost funding for capital projects and ongoing operational requirements.

The Corporation monitors its capital structure on the basis of its equity ratio. Manitoba Hydro's current target is to maintain a minimum equity ratio of 25%.

The Corporation's equity ratio as at March 31 was as follows:

	2013	2012
	dollars are in millions	
Long-term debt, net of sinking fund investments	8 977	8 729
Current portion, long-term debt	656	281
Less: Cash and cash equivalents	(32)	(50)
Net debt	9 601	8 960
Retained earnings	2 542	2 450
Accumulated other comprehensive income	299	327
Contributions in aid of construction	340	318
Non-controlling interest	95	100
Total equity	3 276	3 195
Equity ratio	25%	26%

Manitoba Hydro issues debt for its capital requirements under the authority of *The Manitoba Hydro Act* and *The Loan Act*. *The Manitoba Hydro Act* grants the Corporation the power to issue up to $500 million of short-term promissory notes. Manitoba Hydro submits annual requests under *The Loan Act* for the necessary borrowing authority for new capital requirements and the refinancing of any maturing long-term debt. The majority of Manitoba Hydro's long-term debt is obtained through advances by the Province of Manitoba.

NOTE 18 EMPLOYEE FUTURE BENEFITS

Manitoba Hydro employees are eligible for pension benefits under the CSSB defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years. The CSSB plan requires the Corporation to contribute approximately 50% of the pension disbursements made to retired employees. All current employees participating in the CSSB plan are eligible for enhanced pension benefits under the EHBP. The EHBP improves the pension formula used to calculate pension for active service accrued after June 1, 2006. In addition, the former employees of Centra are entitled to pension benefits earned under the Centra curtailed pension plans. The former Winnipeg Hydro employees continue to earn benefits under the WCEBP in which, upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The WCEBP is also a defined benefit plan that provides pension benefits based on years of service and on the average earnings of the five best years.

The CSSB manages the Corporation's pension funds (MH Pension Fund and EHBP) on behalf of the Corporation. The assets related to the Centra curtailed pension plans are held in trust by State Street Trust Co. of Canada. The assets and liabilities of the WCEBP are not reflected on Manitoba Hydro's consolidated balance sheet.

MHUS employees are eligible for pension benefits under the CSSB defined benefit plan. As a matching employer under the Civil Service Superannuation Act, MHUS is required to match employee contributions at a prescribed rate into the Civil Service Superannuation Fund pool of assets. MHUS' pension expense is recognized at the time contributions are made to the fund. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial statements related to the MHUS defined benefit plan.

MHI sponsors a defined contribution group registered retirement plan. MHI matches 100% of the employee contributions at prescribed contribution rates. The cost of the pension benefits is charged to pension expense as services are rendered. Manitoba Hydro does not carry a pension asset or obligation on its consolidated financial statements for the MHI defined contribution plan.

The following table presents information pertaining to the MH Pension Fund, the EHBP and the Centra curtailed pension plans:

	MH Pension Fund		Enhanced Hydro Benefit Plan		Centra curtailed pension plans		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	millions of dollars							
Plan assets at fair value								
Balance at beginning of year	758	763	11	-	84	84	853	847
Actual return on plan assets	52	14	1	-	6	2	59	16
Employer contributions	26	23	2	11	12	2	40	36
Benefit payments and refunds	(44)	(42)	-	-	(5)	(4)	(49)	(46)
	792	758	14	11	97	84	903	853
Accrued benefit obligation								
Balance at beginning of year	1 012	837	11	-	98	86	1 121	923
Transfer in - other benefits	-	-	-	9	-	-	-	9
Interest on obligation	53	54	1	-	5	6	59	60
Current service cost	35	27	2	2	-	-	37	29
Benefit payments and refunds	(45)	(43)	-	-	(5)	(4)	(50)	(47)
Actuarial losses	177	137	6	-	15	10	198	147
	1 232	1 012	20	11	113	98	1 365	1 121
Deficit at end of year	(440)	(254)	(6)	-	(16)	(14)	(462)	(268)
Unamortized past service costs	-	-	-	-	1	2	1	2
Unamortized transitional balance	(1)	(2)	-	-	-	-	(1)	(2)
Unamortized net actuarial loss	521	353	6	-	57	42	584	395
Accrued benefit asset	80	97	-	-	42	30	122	127

Pension assets are valued at market rates and are invested as follows:

	MH Pension Fund Fair value		Centra curtailed pension plans Fair value	
	2013	2012	2013	2012
	millions of dollars			
Equities	492	495	63	57
Bonds and debentures	185	181	23	22
Real estate	89	79	8	4
Infrastructure	22	-	3	-
Short-term investments	4	3	-	1
	792	758	97	84

Manitoba Hydro has $14 million (2012 - $11 million) on deposit with the CSSB for the EHBP. Manitoba Hydro does not have a separate portfolio of assets for the EHBP. The investment income earned on the EHBP funds is based on the market value rate of return that is earned by the Civil Service Superannuation Fund (CSSF). For the year ended December 31, 2012, the CSSF earned a rate of return of 10.23% on fund assets.

The return on pension fund assets for the MH Pension Fund was 7.5% (2012 - 2.1%). The return for the Centra curtailed plan fund assets was 7.3% (2012 - 2.0%). The weighted average term to maturity on fixed income investments is 8.9 years (2012 - 9.5 years).

The most recent actuarial valuations for the Corporation's obligations under the CSSB and Centra curtailed pension plans were performed with respect to the liabilities outstanding as at December 31, 2012. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The next actuarial valuations for all plans, including the EHBP will occur in December 2013. The Centra curtailed pension plans are also subject to a solvency valuation for funding purposes with the latest valuation taking place as at December 31, 2012.

The significant actuarial assumptions adopted in measuring the Corporation's pension and other employee benefit obligations are as follows:

	2013	2012
Discount rate - pensions	4.25%	5.25%
Discount rate - other benefits	4.25%	5.50%
Expected long-term rate of return on plan assets	7.0%	7.0%
Rate of compensation increase, including merit and promotions	1.5 - 2.0%	1.5 - 2.0%
Expected average remaining service life of employees - MH Pensions	14 years	14 years
Expected average remaining service life of employees - Centra Pensions	10 years	10 years
Long-term inflation rate	2.0%	2.0%

The Corporation's pension expense related to each of the pension benefit plans is as follows:

	CSSB Plan		Enhanced Hydro Benefit Plan		Centra curtailed pension plans	
	2013	2012	2013	2012	2013	2012
	millions of dollars					
Current service cost	35	27	2	2	-	-
Administrative fees	2	2	-	-	-	-
Canada Pension Plan	15	14	-	-	-	-
Interest on obligation	53	54	1	-	5	6
Expected return on plan assets	(58)	(58)	(1)	-	(7)	(6)
Amortization of net experience loss	13	3	-	-	2	1
Amortization of transitional gain	(1)	(1)	-	-	-	-
	59	41	2	2	-	1

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the WCEBP in addition to employer remittances to the Canada Pension Plan. Total contributions to the WCEBP during the year amounted to $1 million (2012 - $1 million) and reflect an employer contribution rate approximating 3.8% of pensionable earnings to January 2, 2013 and 4.3% of pensionable earnings thereafter. Pension expense for MHUS and MHI is equal to the employer contributions and is expensed during the period. The amounts are not material.

Manitoba Hydro also provides some non-pension employee future benefits including banked incidental and vacation days, long-term disability, retiree health spending, sick leave vesting and severance.

The following table presents information concerning other employee future benefits:

	2013	2012
	millions of dollars	
Accrued benefit liability		
Balance at beginning of year	173	166
Interest on obligation	9	7
Current service cost	23	21
Benefit payments	(17)	(18)
Transfers to EHBP	-	(9)
Actuarial loss	13	6
	201	173
Unamortized past service costs	(7)	(8)
Unamortized transitional obligation	(3)	(3)
Unamortized net actuarial loss	(17)	(6)
Accrued benefit liability	174	156

NOTE 19 COMMITMENTS AND CONTINGENCIES

Manitoba Hydro has energy purchase commitments of $1 592 million (2012 - $1 651 million) that relate to future purchases of wind, natural gas (including transportation and storage contracts), coal and electricity. Commitments are primarily for wind, which expire in 2038, and natural gas purchases, which expire in 2020. In addition, other outstanding commitments principally for construction, are approximately $1 592 million (2012 - $771 million).

The Corporation will incur future costs associated with the assessment and remediation of contaminated lands and facilities and for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment. Although these costs cannot be reasonably determined at this time (except for items already recognized as asset retirement obligations), a contingent liability exists.

Due to the size, complexity and nature of Manitoba Hydro's operations, various legal and operational matters are pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have a material effect on Manitoba Hydro's consolidated financial position or results of operations.

Manitoba Hydro provides guarantees to counterparties as part of its use of natural gas derivative commodity contracts. Guarantees issued at March 31, 2013 totaled $289 million (2012 - $305 million) and do not have specific maturity dates. Letters of credit in the amount of $6 million (2012 - $10 million) have been issued for energy related transactions with maturities until 2014.

NOTE 20 MITIGATION

Manitoba Hydro's mitigation program addresses past, present and ongoing adverse effects of hydro-electric development. The mitigation program, established in the late 1970s to address project impacts through alleviation of adverse effects, remedial works, offsetting programs and residual monetary compensation, grew out of the experience of planning and development of the Lake Winnipeg Regulation and Churchill River Diversion Projects. The Northern Flood Agreement, signed December 16, 1977, created a process that addressed ongoing mitigation and compensation for adverse effects of hydro-electric development in five signatory First Nation communities (Nelson House, Split Lake, York Landing, Norway House and Cross Lake). The mitigation program continues to address impacts arising from past hydro-electric developments, particularly for Aboriginal people residing or engaged in resource harvesting in the project area and it is essential for operating and future development purposes.

Expenditures recorded or settlements reached to mitigate the impacts of all projects amounted to $21 million during the year (2012 - $113 million). In recognition of future anticipated mitigation payments, the Corporation has recorded a liability of $235 million (2012 - $251 million). To March 31, 2013, $959 million (2012 - $938 million) has been recorded to mitigate and compensate for all project-related impacts. These expenditures are included in the costs of the related projects and amortized over the respective remaining lives. There are other mitigation issues, the outcomes of which are not determinable at this time.

Included in mitigation payments or liabilities are obligations assumed on behalf of the Province of Manitoba with respect to certain northern development projects. The Corporation has assumed obligations totaling $146 million for which water power rental charges were fixed until March 31, 2001. The obligations outstanding at March 31, 2013 amounted to $11 million (2012 - $11 million).

NOTE 21 AFFORDABLE ENERGY FUND

In accordance with the provisions of the Winter Heating Cost Control Act, Manitoba Hydro established an Affordable Energy Fund (the Fund) in the initial amount of $35 million for the purpose of providing support for programs and services that:

(a) encourage energy efficiency and conservation;
(b) encourage the use of alternative energy sources, including earth energy; and
(c) facilitate research and development of alternative energy services and innovative energy technologies.

For accounting purposes, the Fund is classified as other long-term assets (Note 11) with an offsetting balance in other long-term liabilities (Note 15). Expenditures of $5 million (2012 - $7 million) during the year were charged to operations with the asset and liability accounts reduced accordingly. As at March 31, 2013, the balance remaining in the Fund amounted to $15 million (2012 - $20 million).

NOTE 22 NON-CONTROLLING INTEREST

Manitoba Hydro has entered into a partnership agreement with Taskinigahp Power Corporation (TPC) to carry on the business of developing, owning and operating the Wuskwatim generating station. TPC is owned beneficially by Nisichawayasihk Cree Nation (NCN). The generating station and associated transmission was placed into service during the 2012-13 year.

The 33% ownership interest of TPC in the WPLP of $95 million (2012 - $100 million) is represented as a non-controlling interest within the equity section of the consolidated balance sheet. TPC's portion of the net loss of the WPLP during 2012-13 is $13 million (2012 – nil) and is recorded as a non-controlling interest in the consolidated statement of income.

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to TPC. As at March 31, 2013, Manitoba Hydro has provided advances to TPC of $91 million (2012 - $91 million). The advances plus interest are repayable by TPC through distributions from the WPLP.

NOTE 23 SEGMENTED INFORMATION

The Corporation operates primarily in two business segments: electricity and gas. Each segment has its own particular economic characteristics and differs in nature, production processes and technology. The electricity segment encompasses the generation, transmission and distribution of electricity as well as subsidiaries providing related energy services. The gas segment represents natural gas supply and distribution activities through the operations of Centra. The Corporate segment represents the costs to acquire Centra and to integrate its operations into those of Manitoba Hydro. These costs are allocated to gas and electricity segments in accordance with the synergies and benefits derived by each of these segments as a result of the acquisition.

The following table contains information related to the operating results, assets, liabilities, contributions in aid of construction and retained earnings by segment:

	Electricity		Gas		Corporate		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	millions of dollars							
Revenues*	1 733	1 582	147	132	-	-	1 880	1 714
Expenses								
Operating and administrative	469	419	64	62	-	-	533	481
Finance expense	452	385	18	19	19	19	489	423
Depreciation and amortization	394	353	27	26	2	2	423	381
Water rentals and assessments	118	119	-	-	-	-	118	119
Fuel and power purchased	133	146	-	-	-	-	133	146
Capital and other taxes	87	84	18	19	-	-	105	103
Corporate allocation	9	9	12	12	(21)	(21)	-	-
	1 662	1 515	139	138	-	-	1 801	1 653
Net income (loss) before non-controlling interest	71	67	8	(6)	-	-	79	61
Net loss attributable to non-controlling interest	13	-	-	-	-	-	13	-
Net income (loss)	84	67	8	(6)	-	-	92	61
Total assets	13 928	13 203	614	588	-	-	14 542	13 791
Total liabilities	10 848	10 196	418	400	-	-	11 266	10 596
Contributions in aid of construction	307	285	33	33	-	-	340	318
Retained earnings	2 500	2 416	42	34	-	-	2 542	2 450

*Revenues are stated net of cost of gas sold of $182 million (2012 - $197 million) and MHI project costs of $28 million (2012 - $19 million).

NOTE 24 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2012 have been reclassified in order to conform to the presentation adopted in 2013.

Financial Statistics

For the year ended March 31	2012	2011	2010	2009	2008	2007	2006	2005	2004
				dollars are in millions					
Revenues									
Electrical:									
Residential	562	492	503	476	465	436	410	387	386	369
General service	708	701	697	668	644	638	614	597	593	570
Entrepreneur	283	343	398	427	423	425	392	427	554	351
Other revenue	39	26	18	11	21	13	11	10	9	11
Gas:										
Residential	374	372	308	323	292	268	256	245	244	230
Commercial / Industrial	149	161	193	225	281	254	244	247	258	292
Transportation	5	5	5	5	5	5	4	5	5	4
Other revenue	1	1	1	2	2	2	2	2	2	2
	2,062	1,913	2,020	2,057	2,393	2,240	2,125	2,359	2,051	1,774
Expenses										
Operating and administrative	532	481	463	440	429	391	387	368	387	359
Finance expense	436	423	425	450	471	440	506	508	502	487
Depreciation and amortization	420	391	393	384	368	349	332	322	331	294
Water rentals and assessments	118	119	120	121	119	124	122	120	111	71
Fuel and power purchased	133	146	106	104	176	134	226	125	126	569
Capital and other taxes	106	108	102	94	87	90	77	77	75	73
Cost of gas sold	191	197	261	279	431	386	379	392	284	376
	1,936	1,865	1,870	1,874	2,085	1,914	2,029	1,912	1,816	2,229
Net income before non-controlling interest	79	61	150	183	266	346	122	415	236	(455)
Net loss attributable to non-controlling interest	13									
Net income	92	61	150	183	266	346	122	415	236	(455)
Assets										
Property, plant and equipment	14,293	13,631	12,967	12,686	12,300	11,884	11,424	11,065	10,740	10,289
Less: Accumulated depreciation	5,252	4,994	4,752	4,512	4,356	4,167	3,924	3,657	3,447	3,281
Construction in progress	1,467	1,190	1,259	1,052	1,438	1,238	878	692	475	370
Sinking fund investments	282	272	282	822	666	710	630	555	562	715
Current and other assets	1,690	1,622	1,646	1,487	1,699	2,123	1,914	1,917	1,614	1,657
	14,542	13,791	12,862	12,437	11,547	11,366	10,922	10,482	9,952	9,900
Liabilities and Equity										
Long-term debt	9,309	9,101	8,617	8,259	7,669	7,218	6,850	7,081	7,044	7,111
Current and other liabilities	1,937	1,495	1,337	1,378	1,427	2,097	2,380	1,845	1,736	1,781
Contributions in aid of construction	349	318	296	295	286	300	298	293	296	274
Non-controlling interest	95	100	67	62	39	24	18	–	–	–
Retained earnings	2,542	2,460	2,399	2,229	2,074	1,822	1,407	1,285	970	734
Accumulated other comprehensive income	309	317	363	314	(948)	305	–	–	–	–
	14,542	13,791	12,882	12,437	11,547	11,366	10,922	10,482	9,952	9,900
Cash Flows										
Operating activities	589	567	595	589	648	833	463	730	459	(171)
Financing activities	535	705	624	1,124	424	467	227	72	206	753
Investing activities	1,242	1,332	1,272	1,698	1,086	988	788	692	644	690
Financial Indicators										
Equity ratio[1]	29%	28%	27%	27%	25%	27%	28%	29%	29%	28%
Interest coverage[2]	1.19	1.10	1.27	1.30	1.49	1.49	1.25	1.37	1.25	(0.12)
Capital coverage[3]	1.20	1.13	1.29	1.34	1.32	1.62	1.10	2.28	1.29	(0.07)

[1] Equity ratio represents equity (retained earnings plus accumulated other comprehensive income plus contributions in aid of construction plus non-controlling interest) divided by equity plus debt (long-term debt plus notes payable minus sinking fund investments and temporary investments).

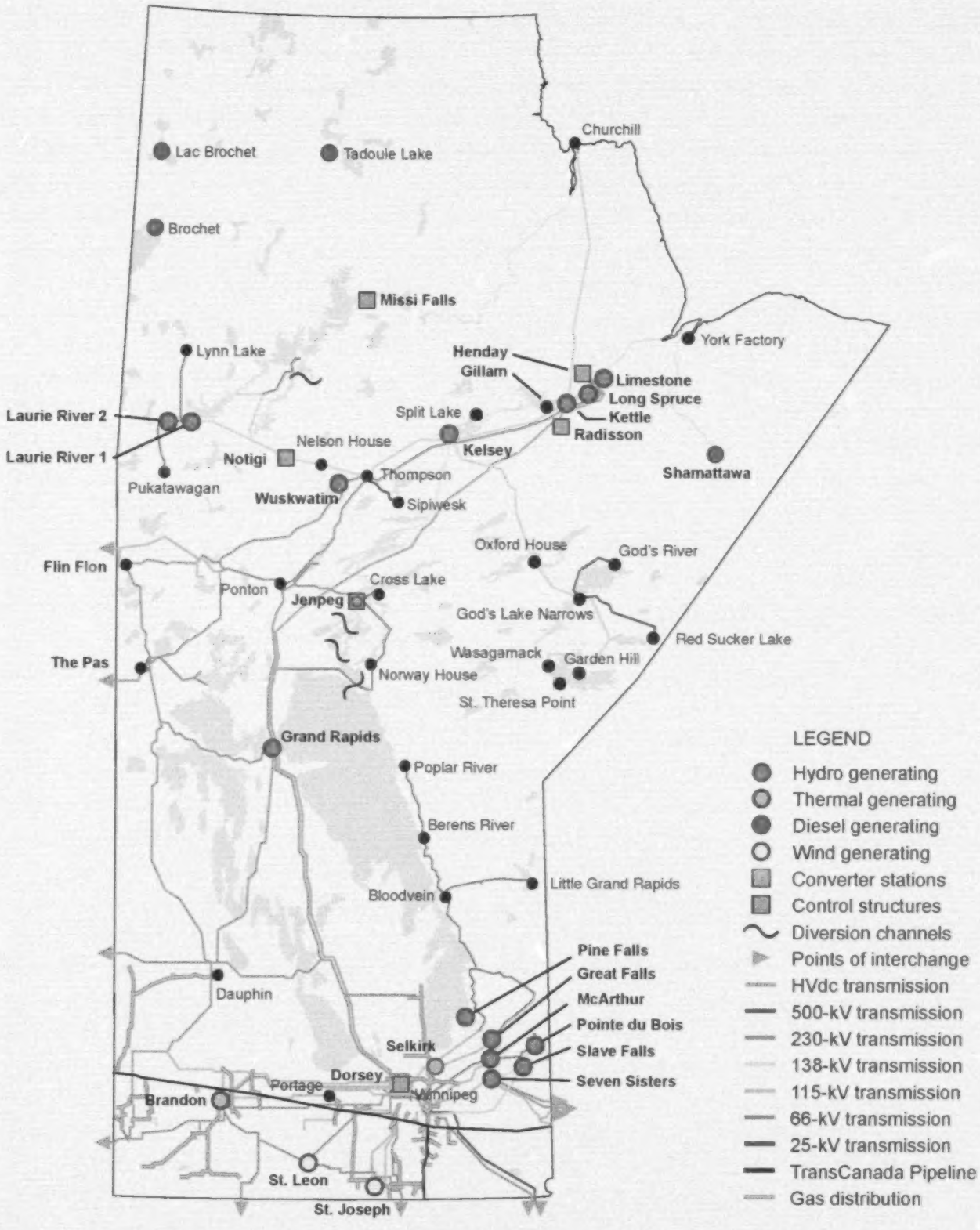
[2] Interest coverage represents net income plus interest on debt divided by interest on debt.

[3] Capital coverage represents internally generated funds divided by capital construction expenditures.

For the year ended March 31	2012	2011	2010	2009	2008	2007	2006	2005	2004
Electric System Capability									
Capability (000 kW)	5 475	5 469	5 501	5 500	5 465	5 460	5 469	5 470	5 471
Manitoba firm peak demand (000 kW)	4 343	4 261	4 307	4 477	4 275	4 144	4 054	4 169	3 959
Percent change	1.9	(1.1)	(3.8)	4.8	3.1	2.2	(2.8)	5.3	1.5
Electric System Supply									
Total energy supplied (millions of kWh)									
Generation	30 205	34 102	33 981	34 528	35 354	32 732	37 020	31 548	35 228
Isolated systems	14	13	13	13	12	12	12	11	11
	30 249	34 115	33 974	34 541	35 366	32 744	37 032	31 559	35 239
Electric Load at Generation (millions of kWh)									
Integrated system	28 499	33 780	33 096	34 285	35 185	32 327	36 622	31 862	35 907
Isolated system	14	13	13	13	12	12	12	11	11
	28 513	33 796	33 109	34 298	35 197	32 339	36 634	31 873	35 918
Percent change	(15.6)	2.1	(3.5)	1.0	2.9	1.3	0.8	2.5	(0.3)
Electric System Deliveries (millions of kWh)									
Energy delivered in Manitoba									
Residential	6 330	7 082	6 899	6 954	6 826	6 539	6 244	6 270	6 266
General service	13 840	13 737	13 697	14 256	14 223	13 965	13 669	13 365	13 014
	20 170	20 787	20 486	21 210	21 049	20 504	19 913	19 635	19 280
Extraprovincial	10 244	10 544	10 860	10 122	11 098	10 100	13 772	10 475	6 966
	30 414	31 331	31 346	31 332	32 147	30 604	33 708	30 210	26 246
Gas Deliveries (millions of cubic metres)									
Residential	602	529	591	581	694	662	643	600	661	693
Commercial / Industrial	849	728	621	806	866	856	611	782	917	893
Transportation	598	629	584	619	602	638	592	589	559	537
	2 049	1 886	1 996	2 006	2 165	2 156	2 046	1 971	2 137	2 123
Number of Customers									
Electric									
Residential	480 254	474 661	469 636	460 065	460 804	455 430	450 823	446 370	442 840	438 953
General service	68 520	68 020	67 664	67 308	66 668	66 169	66 098	63 421	63 036	62 697
	548 774	542 681	537 300	532 959	527 472	521 599	516 861	509 791	505 666	501 650
Gas										
Residential	244 768	242 813	241 122	239 505	238 947	232 724	230 088	228 108	227 366	229 394
Commercial / Industrial	25 018	24 886	24 839	24 766	23 411	23 436	20 480	23 209	24 599	24 457
	269 786	267 699	265 961	264 269	262 358	256 160	250 568	251 317	251 965	253 851
Full Time Equivalent (FTE)[1]	6 463	6 413	6 394	6 278	6 060	5 843	5 775	5 748	5 682	5 568

[1] Regular FTEs (the straight time hours of work for one employee) for Manitoba Hydro, including subsidiaries.

Major electric and gas facilities



Sources of Electrical Energy Generated and Purchased

For the Year Ended March 31, 2013

Nelson River	**75.54 %**	**Saskatchewan River**	**6.87 %**	Thermal	0.24 %
Billion kWh generated	**26.1**	**Billion kWh generated**	**2.4**	**Billion kWh generated**	**0.1**
Limestone	24.35 %	Grand Rapids	6.87 %	Brandon	0.19 %
Kettle	23.36 %			Selkirk	0.05 %
Long Spruce	19.52 %	**Laurie River**	**0.15 %**		
Kelsey	6.04 %	**Billion kWh generated**	**0.1**	**Purchases (excl. wind)**	**1.53 %**
Jenpeg	2.27 %	Laurie River #1	0.07 %	**Billion kWh purchased**	**0.5**
		Laurie River #2	0.08 %		
Winnipeg River	**10.47 %**			**Wind**	**2.46 %**
Billion kWh generated	**3.6**	**Burntwood River**	**2.74 %**	**Billion kWh purchased**	**0.9**
Seven Sisters	2.89 %	**Billion kWh generated**	**0.9 %**		
Great Falls	2.45 %	Wuskwatim	2.74 %		
Pine Falls	1.78 %				
Pointe du Bois	0.87 %				
Slave Falls	1.35 %				
McArthur	1.13 %				

Manitoba Hydro Generating Stations and Capabilities

For the Year Ended March 31, 2013

Interconnected Capabilities

Station	Location	Number of units	Net Capability (MW)
Hydraulic			
Great Falls	Winnipeg River	6	129
Seven Sisters	Winnipeg River	6	165
Pine Falls	Winnipeg River	6	88
McArthur	Winnipeg River	8	55
Pointe du Bois	Winnipeg River	16	75
Slave Falls	Winnipeg River	8	67
Grand Rapids	Saskatchewan River	4	479
Kelsey	Nelson River	7	250
Kettle	Nelson River	12	1220
Jenpeg	Nelson River	6	129
Long Spruce	Nelson River	10	1010
Limestone	Nelson River	10	1340
Laurie River (2)	Laurie River	3	10
Wuskwatim	Burntwood River	3	200
Thermal			
Brandon		3	333
Selkirk		2	125

Isolated Capabilities

Diesel	
Brochet	3
Lac Brochet	2
Shamattawa	3
Tadoule Lake	2

Total Generating Capability	5,685

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